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Southeast Asia Report

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26 SEPTEMBER 1986

SOUTHEAST ASIA REPORT

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PHILIPPINES

COLUMNIST DISCUSSES STRATEGIC FACTORS OF U.S. BASES

HK011426 Manila THE MANILA EVENING POST in English 29 Aug 86 p 4

["The White Paper" column by Hermes Vittorio: "U.S. Military Facilities: Their Strategic Factors"]

[Text] In a few days, the Con-Com [Constitutional Commission] will hold a plenary session on the controversial issue of U.S. military facilities in the Philippines and their foreign policy implications. Despite the raging polemics, there is a growing sense that the majority of the Con-Com members still favor the retention of the facilities until 1991.

These facilities are here to stay.

Despite the majority votes favoring retention, however, the supporters of the U.S. facilities should come clean and candidly admit that these facilities are not primarily for Philippine but for American strategic policy. In the scheme of things, military calculations will show that the Philippines is merely secondary in American strategic thinking.

Based on the U.S. global security network, the military facilities in the Philippines have two purposes: an "ideal" deterrent system, and as part of the command, control and communications (3 C's) system vital to the development of weapons technology and strategic doctrine.

According to U.S. military calculations, intelligence and early warning systems (EWS), of which Clark and Subic are major installations, more than deter a perceived surprise attack. They identify targets necessary for the planning of counterforce attacks as well as locate missile silos and bomber bases, enemy command and control centers and other military installations of the American enemy. Without the Clark and Subic facilities, current U.S. strategic doctrine would have to be changed entirely. This they can carry out right now.

Consequently, the strategic implications for the Philippines are not independent of U.S.-Russian strategic thinking. Because of the unstable global strategic structure, there is no doubt that the Philippines is a cockpit in the nuclear arena. Both the U.S. and the Soviet Union, by their very statements, have targeted the Philippines as a potential for counterforce attacks and selective and flexible response by America's enemy. Any military conflict

involving the great powers in the area will not preclude the Philippines as a prime target of attack. Since these facilities are more strategic- than tactical-oriented, the argument that they are here to defend the Philippines does not follow. These facilities will never be used in isolation. This means that they are for American rather than Philippine reasons. They will be used for American reasons and purposes. They are not and have never been for mutual defense. Commitments therefore are doubtful.

American military facilities in the Philippines are unreliable in terms of Philippine defense against Philippine enemies. The U.S. will decide whether aid is to be given or not. In terms of strategic rather than conventional thinking, these facilities therefore become a reason for threat. Remove them and the threat disappears.

The Con-Com therefore is called upon to study the realities in the area before any decision on the U.S. military facilities is finally made.

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CSO: 4200/1425

PHILIPPINES

PAPER ON USAID 'PRESSURE' ON PALAY SUPPORT PRICE

HK031253 Quezon City BUSINESS DAY in English 2 Sep 86 p 2

[Article by reporter Michael D. Marasigan]

[Text] Notwithstanding the repeated denials of Agriculture and Food Minister Ramon Mitra and his deputy minister Emil Ong of the National Food Authority (NFA), the United States Agency for International Development (USAID) may have indeed pressured the government into lowering the support price for palay.

Documents obtained by BUSINESS DAY showed that Peter Timmer, a USAID grains expert, has submitted to the government as early as April a working paper on alternative palay procurement prices and retail prices for rice.

The government, through the NFA council, last week approved in principle to reduce the support price of palay from P3.50 to P3 a kilo. Sources further said a reduction in the support price of corn, from P2.90 to P2.50 per kilo, will also be implemented once the NFA is provided its procurement funds.

Several farmer organizations protested against the NFA decision, claiming that the government has again yielded to pressure from foreign interests, in this case, USAID. However, both Mitra and Ong denied that there was such a pressure.

The USAID has been extending soft loans to the Philippines to finance developmental projects. It agreed last week to convert about \$90 million worth of long-term loans into grants. In addition, it also approved last week a \$20-million grant to finance agricultural projects.

NFA employees admitted that there was really pressure from the USAID. They claimed it was related to the country's consumption of wheat. The U.S. is the Philippines' biggest supplier of wheat.

The strategy is simple; the sources said. Once the support price for palay is brought down, farmers will be discouraged from planting palay since it is no longer profitable. In a scenario like this, it will be justifiable to increase wheat importation.

There is a ban on rice and corn imports but there is no such restriction on the importation of wheat. Too much importation of wheat could adversely affect both the rice and corn industries.

Thus, increased wheat importation should first be justified. Rice production should be inadequate so that consumers will buy more bread products.

But wheat is not only used for bread. It could also produce feed substitutes (by-products) such as bran and pollard. This could severely affect the animal feed market for corn and rice bran.

This issue, however, is not discussed in the Timmer working paper. The government's official reason for lowering the support price for palay is to enable the FNA to buy more despite its limited funds.

On the other hand, the Timmer report emphasized that the NFA will need a huge subsidy if the difference between palay procurement prices and rice retail prices is narrow.

But if the margin is wider, the NFA would only need a little subsidy or no subsidy at all. Thus, the support price should be lowered to widen the margin.

The Timmer report cited several prices for palay procurement (ranging from P2.70 to P3.50 per kilo) and rice retailing (ranging from P6.50 to P8 per kilo).

At a support price of P2.70 per kilo, the NFA would only require a subsidy amounting to P8 million if it retails the rice at P6.50 per kilo. No subsidy will be required if the retail price is raised to P7 per kilo.

At a support price of P3 per kilo, the subsidy would amount to P363 million at a retail price of P6.50 per kilo. The subsidy could go down to P77 million if the retail price is brought up to P7 per kilo. No subsidy is necessary if the retail price is set at P7.50 per kilo.

At a P3.50 support price, however, the subsidy would start at P163 million if the retail price is fixed at P8 per kilo; P490 million at P7.50 per kilo; P980 million at P7 per kilo; and a staggering P1.63 billion if the retail price is maintained at P6.50 a kilo.

In a dialog with agriculture officials, farmer leaders of the Kilusang Magbubukid ng Philipinas [Peasants' Movement] yesterday said that instead of widening the margin, the government should convert the P3.50 support price into a "floor price."

If this is not possible, the farmers asked that the support price be maintained at P3.50 and the government's procurement funds be increased.

Deputy Minister for Agriculture and Food Carlos Dominguez told the farmers that their requests will be considered. However, he informed the farmers

that the government is really short of funds and may not be in a position to increase the NFA's procurement budget.

At the same time, he said, it will be difficult to mandate a floor price since this would run counter to the government's policy of minimizing market intervention. There is also a possibility that traders would refuse to buy palay if the support price is converted into a floor price," he said.

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CSO: 4200/1415

PHILIPPINES

USE OF PESO COUNTERPART FUNDING FOR LOANS PROPOSED

HK051529 Quezon City BUSINESS DAY in English 5 Sep 86 p 2

[By Daniel C. Yu]

[Text] The Philippines has proposed to the Japanese Government the use of the peso counterpart funding of three loans from Japan's Overseas Economic Cooperation Fund (OECF) to finance critical government expenditures this year.

Finance Minister Jaime V. Ongpin submitted the proposal concerning the eight, ninth and a portion of the present 13th OECF yen package to fund the government's Rural-Based Employment Program.

Ongpin said the Japanese government's approval of the request would be regarded highly and that future budget programs would give priority to providing peso counterpart funding for conventional Japanese-assisted projects. Ongpin's proposal would mean a P5,777-million net inflow into the expenditure program for this year, based on the current exchange rate.

Documents made available to BUSINESS DAY indicate that the eighth yen loan package has \$74.8 million undisbursed since May 1984, when the yen package was made available. They also show that the ninth yen loan package has \$103.6 million which can be tapped, and a proposed special commodity loan in the 13th yen package, can provide \$103.3 million.

The Philippines has agreed to drop 4 of 11 projects in the 13th yen package. It has proposed that credit for the 4 projects be converted into a special commodity loan.

Ongpin said this conversion would be "essential in building up (the country's) international reserves and in financing the government budget deficit."

A BUSINESS DAY source in the Japanese embassy yesterday said Japan has received the Philippine request for the use of the peso counterpart funding to finance the employment program but has not yet responded. The source explained that the Philippines and Japan agreed last December to convert one-third of the \$245 million in the 13th yen loan package into a commodity loan to finance imports, and to use the remainder to finance 11 projects [word indistinct] the previous administration to the OECF.

The new government has scrapped four of the projects because they were "political projects" of persons close to the past administration. The embassy source said that in view of the "already long pipeline of credit assistance" available to the Philippines, the Japanese Government has asked for additional documents to justify the conversion of loans for the four projects into a commodity loan. The Central Bank and the Ministry of Finance have submitted the documents. The source said the Embassy understands the government's urgent need to get Tokyo's response. A follow-up cable was sent to the OECF Tokyo office the other day, other sources said.

Ongpin also told the Japanese government that complete disbursement of the eighth OECF loan is expected by the end of this month. He said regulatory limitations had previously prevented fast use of the facility. Liberalized rules have stepped up disbursements, he said.

Ongpin proposed that, to facilitate disbursement from the ninth loan and the special commodity loan, the same liberalized procedures be adopted and that the list of commodities eligible for funding be expanded.

Ongpin said Japanese government support through new OECF commodity loans and liberalized procedures for disbursements would help the Philippines greatly in achieving a favorable balance of payments this year.

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CSO: 4200/1413

PHILIPPINES

NDF INTERNATIONAL REPRESENTATIVE AT NONALIGNED SUMMIT

MB040510 Dakar PANA in English 1418 GMT 3 Sep 86

[Text] Harare, 3 Sep (PANA)--The Philippines needs the assistance of anti-imperialist and other democratic forces in the world to get rid of U.S. domination so as to become genuinely independent and thereby make full contribution for peace and non-alignment.

This was said by the representative of the opposition National Democratic (NDF) [as received] of the Philippines, Luis Jalandoni, in an interview with PANA.

He said that his front would continue to press for the dismantling of the more [words indistinct] military bases in the Philippines as well as the domination of the economy by [words indistinct] country's trade.

Jalandoni said the Philippines cannot qualify to be a nonaligned country if the military bases of the U.S. are not (?dismantled) because these were being used as launching pads for attacks against other countries.

The front condemns the misuse of the U.S. bases in the Philippines for sending aircraft carriers, troops and war material to the coast of Libya to threaten the people and Government of Libya and endanger peace and security in that region of the world, Jalandoni said.

He said this was not the first time it had used the military bases in the Philippines as launching pads of intervention. It did this in the 1960's against the people of Vietnam, he said.

On the peace talks between his front and the new government of President Corazon Aquino, he said these were being sabotaged by the U.S. which had doubled military aid to the Aquino government and was pressing it to go for a military solution to the Philippine problem.

He reiterated the resolve of his front to achieve a peaceful settlement based on a comprehensive agreement which would include a nationwide ceasefire.

However, he said, this was being sabotaged by Defence Minister Juan Ponce Enrile and the Armed Forces chief of staff, (?Gen.) Fidel Ramos, who had

intensified military repressions especially in the countryside, where he claimed his front controlled 62 of the 73 provinces.

He said his front's 30,000 combatants were implementing a policy of active defence and were restraining themselves from nationwide tactical offensive.

However, we reserve the right to actively prevent troops of Defence Minister Enrile and Gen. Ramos from committing acts of harassment and brutality against the people and entering our guerrilla fronts, Jalandoni said.

He said Aquino had a genuine desire for a negotiated solution but her defence minister and Army chief of staff were sabotaging her efforts.

On the ongoing summit of the Nonaligned Movement, Jalandoni [words indistinct] being taken to increase the anti-apartheid struggle in Namibia and South Africa and the Frontline States.

We hope that concrete steps will be taken so that the self-reliance efforts of these peoples and states will be complimented by militant assistance and solidarity to bring about the definitive abolition of apartheid, he said.

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CSO: 4200/1415

PHILIPPINES

GOVERNMENT 'FINALLY' OUTLINES ECONOMIC THRUST

HK031420 Quezon City BUSINESS DAY in English 3 Sep 86 p 2

[Text] Six months after it assumed power, the Aquino government has finally put together a broad outline of its economic thrust, strategies for development and overall thinking on key policy issues which businessmen and investors alike have been waiting for.

The broad outline was drafted by a number of close presidential advisers in preparation for President Aquino's trip to the United States starting the middle of this month.

In a capsule, the Aquino government, according to this broad outline, will endeavor to keep the Philippine economy open, vigorously encourage local and foreign investments, abandon a labor-intensive industrialization program and scrap a commodity-led export strategy.

The Aquino government is committed to a policy of an open economy and is distancing itself from the "isolationist stance" advocated by some quarters in the economy.

At the same time, however, the new government does not intend to swallow prescriptions of the International Monetary Fund-World Bank "hook, line and sinker." In fact, it said, some economic prescriptions of the IMF and the World Bank are seriously flawed.

The new government does not intend to focus its export strategy simply on the export of raw materials. It said export-led development should be seriously restudied in the light of new developments in the international economic environment.

At the same time, the Aquino government does not intend to make economic growth purely dependent on the country's labor-cost advantage. In today's environment and in view of recent technological developments, labor-intensive technology is no longer effective especially with the advent of robotics, it said.

Labor, in today's international economic setting, no longer provides the so-called comparative advantage which was true during the '60s and '70s. In

the coming decade, the new government believes capital will be the key to development.

The economies that provide the cheapest cost of capital for development will most likely be the ones to succeed in the coming years. Thus, the real rate of interest must be brought down, the government said.

In addition, the new government will increasingly shift its attention away from the never-ending negotiations with the IMF, the World Bank and the country's creditor-banks. It will widen its scope of coverage to include as well other sources of capital fund.

In view of these, the Aquino government would work toward making the investment climate in the country as attractive as possible for both local and foreign investors.

These [as published] broad policy outline which the President will discuss in her visit to the U.S. was disclosed yesterday by Jesus P. Estanislao, chairman of the Development Bank of the Philippines (DBP) and who is believed to be one of the key presidential advisers that drafted the framework.

Estanislao yesterday spoke before the American Chamber of Commerce of the Philippines and said this broad indication of the stand of the new government principally reflects a new approach as a result of international developments.

Basically, he said, the notion of an inter-linkage between agriculture and industry in development has slowly been eroded and that worldwide developments indicate that such a linkage has already been broken with agriculture and industry going their separate ways.

In the case of industry, there is no longer a connection between industrial production and industrial employment as data on the world economy during the last decade (1975 to 1984) showed that while industrial production went up by 40 percent, industrial employment actually fell by five million people.

Estanislao also pointed out that there is no longer any linkage between capital movement and trade surplus. A clear example, he said, is the United States which continues to suffer a substantial trade deficit but, on the other hand, continues to attract capital.

Estanislao said the Aquino government's economic program, which is now being finalized, will be completed by the end of this month.

Principally, it will focus on the development of farm products for domestic consumption. There will be a deliberate effort to reduce the total number of food items imported by the country.

At the same time, the government will work toward rebuilding its consumer goods industry. The rehabilitation will be undertaken in line with the need to upgrade the industry's standard in order to meet international competition. Tariff protection of 5 percent to 10 percent will be given.

The Philippines will also go into production sharing arrangements. These will entail the linking of the Philippine economy with international production processes, something which an observer noted, is what the IMF-World Bank wants.

Industry observers told BUSINESS DAY that the pronouncements made by the government on its economic orientation would perhaps clear once and for all the leaning of the Aquino government.

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CSO: 4200/1415

PHILIPPINES

FOREIGN DEBT REPUDIATION STILL BEING CONSIDERED

HK081113 Manila THE MANILA CHRONICLE in English 8 Sep 86 p 9

[Text] Economic Planning Minister Solita C. Monsod has not given up efforts to reduce the country's foreign debts through her controversial case-to-case disengagement, or the more diplomatic term for selective debt repudiation.

Monsod said that she already has an itemized listing of the foreign loans stating the nature of the borrowing, the names of the borrower and creditors and the date they were contracted. She said that she was furnished the listing by the Central Bank [CB] last month that contained the loans inventory made by the CB 1984. Monsod pointed out that she would ask the help of some businessmen in identifying which of the foreign loans would be eligible for the case-to-case disengagement scheme. She said that the eligible loans would be those with which the tacit knowledge of the creditors, were contracted for projects that were grossly overpriced and non-feasible and those where there is strong evidence that the money was incurred to finance "ghost" projects and essentially aimed at capital flight.

While many in the Aquino Cabinet favor such scheme in reducing the country's debt burden, some bankers have cautioned that this could further delay the planned restructuring negotiations with the foreign creditor banks. The delay in the approval of the standby credit by the International Monetary Fund (IMF) has already pushed back the planned talks with the commercial bank creditors.

Monsod's case-to-case disengagement plan, however, could well serve as a good bargaining point in the Philippines' negotiations for a lighter debt burden with the foreign banks.

For one, part of the loans identified as eligible for litigation could be traded off for lower interest charges on rescheduled loans.

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CSO: 4200/1413

PHILIPPINES

ECONOMIC MINISTER WANTS FOREIGN DEBTS, EXPORTS LINKED

HK051525 Quezon City BUSINESS DAY in English 5 Sep 86 p 3

[Text] Economic Planning Minister Solita C. Monsod is proposing that the Philippines pay interest on foreign debts only if there is foreign exchange left after deducting import payments from export earnings.

If imports equal or exceed exports, the unpaid interest will be considered "new loans" automatically, according to her proposal.

Monsod said she would "push very hard" for such an arrangement with foreign credit banks, calling it an "interest conversion scheme."

"I'm going to be pushing for it so hard, as hard as I'm pushing for internal structural reforms," she said.

She said she expects the creditor banks to "react very badly because automatic capitalization of interest is a no-no," but added, "we just have to keep pushing."

The minister emphasized that the Philippine economy "is trying to grow," and that growth is impossible when all of the country's foreign exchange earnings are spent on foreign debts.

A local banker interviewed by BUSINESS DAY said Monsod is following the example Peru has set in dealing with international creditors, but is "modifying" it. Whereas Peru has acted unilaterally in limiting foreign debt payments to a portion of its export income, the Philippines hopes to negotiate with its foreign creditors to accept the proposal.

However, the banker said, "We're just going to be buying time with that proposal, I guess. She (Monsod) cannot convince the bankers to turn the unpaid interest into equity."

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CSO: 4200/1415

PHILIPPINES

MINISTER RULES OUT TOTAL LIFTING OF IMPORT CONTROLS

HK021515 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 2 Sep 86 p 8

[Article by Claro Fernandez]

[Text] Trade and Industry Minister Jose S. Concepcion Jr. yesterday said that a number of products would continue to receive protection from the government.

This means that of the 304 items still excluded from the government's trade liberalization program, only about 138 products will be liberalized.

Concepcion made this disclosure in reaction to earlier reports that the International Monetary Fund (IMF) and World Bank (WB) "were dismayed" by a government decision declaring a three-month moratorium in the full implementation of the import liberalization scheme.

Covered by the moratorium were 304 products on which the government were to conduct hearings to determine which of the items "will be free and which will continue to receive protection."

The government has so far lifted import controls on some 939 products or short of the 1,243 items demanded by the IMF.

The IMF has demanded the lifting of import curbs on the products in connection with the country's bid for a new standby credit.

According to Concepcion, the IMF and WB should not be dismayed over the moratorium declared on the 304 products "because the government is doing a 'tailored program' to come up with a healthy compromise on the issue."

He added "the Philippine government, through Finance Minister Jaime Ongpin, will be sending a telex to the IMF today to explain the deferred implementation of import liberalization program."

The telex will include the results of the 12 public hearings that the MTI [Ministry of Trade and Industry] has so far conducted.

The moratorium on the liberalization program will expire this October 31.

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CSO: 4200/1415

PHILIPPINES

MINISTER ANNOUNCES MORE IMPORT LIBERALIZATIONS

HK080956 Quezon City NEW DAY in English 8 Sep 86 p 16

[Text] The government will liberalize the importation of 80 more commodities by the end of this month. They are among the 137 commodities that were scheduled to be liberalized last April 30, Trade and Industry Minister Jose S. Concepcion Jr. said.

Concepcion also said the government will comply with the deadline set by the International Monetary Fund and the World Bank on May 1, 1988 on the absolute deadline for the deregulation of the remaining commodities under the current program which covers a total of 1,232 items.

Among the 80 items to be liberalized this month are steel products (which accounted for 43 items), high tariff rubber-based and wood-based items, new tires, vinyl-asbestos tiles and sheets, synthetic resins and paper products.

The remaining 54 items due for liberalization in April are currently being reviewed and a plan of action on what to do will be available by the end of next month, Concepcion said.

The 80 items will be deregulated as soon as adjustments on their import taxes are made within this month.

Other commodities still regulated, including 169 items scheduled to be liberalized by the end of this year and another 77 items by the end of June next year, will be reviewed and a program of action will be available by the end of this year, he added.

The import liberalization program is one of the key policy reforms that the government has committed to undertake under the letter of intent it had submitted to the IMF.

The government has furnished the IMF with the results of consultations with the affected sectors. Substantial compliance with the import liberalization plan is one of the IMF requirements for approval of a Philippine request for a new standard by arrangement.

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CSO: 4200/1415

PHILIPPINES

RISE OF RAW MATERIAL IMPORTS REPORTED

HK021538 Quezon City BUSINESS DAY in English 2 Sep 86 p 2

["Economic Indicator" column: "Raw Material Imports Rise"]

[Text] The country's imports of raw materials and intermediate goods in the first half of 1986 rose by 15.30 percent to \$1,246 million from \$1,072 million during the first six months of 1985, latest data from the Central Bank showed.

This represented 51.04 percent of vital imports of P2,441 million in the first half of the year.

These commodities included wheat, inedible crude materials, animal and vegetable oils and fats, chemicals, manufactures, embroideries, materials and accessories for the manufacture of electrical equipment, and iron ore (not agglomerated).

Purchases of raw materials used in the manufacture of rubber, paper and paper products, textile yarn, fabrics and made-up articles, iron and steel, nonferrous metals and metal products reached \$291 million, up 19.26 percent from last year's \$243 million. Responsible for the increase was the substantial 44.72 percent growth (from \$65 million in 1985 to \$94 million) in the purchase of raw materials used in the manufacture of iron and steel.

In terms of volume, 330,000 metric tons of these materials were imported at a unit price of \$284 per metric ton compared with the 169,000 metric tons purchased in 1985 at a unit price of \$384 per metric ton.

[Word indistinct] reason for the increase was the 41.94 percent hike in the purchases of raw materials for textile manufacturing to \$28 million during the first six months of 1986 from \$62 million in 1985.

[Table on following page]

Raw Materials and Intermediate
Foods Imports
January to June 1985 & 1986
(FOB value in million US dollars)

Commodity	1986	1985	% of change
Wheat	60	51	17.65
Crude materials, inedible	113	67	68.66
Animal & vegetable oils & fats	6	8	(25.00)
Chemical	328	270	21.48
Manufactures	291	244	19.26
Embroideries	106	102	3.92
Materials & accessories for manu- facture of electrical equipment	308	304	1.32
Iron ore, not agglomerated	24	26	(7.69)
Total	1,236	1,072	15.30

Source: Central Bank

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CSO: 4200/1415

PHILIPPINES

COCONUT EXPORTS RISE 115.6 PERCENT

HK081211 Quezon City BUSINESS DAY in English 8 Sep 86 p 3

[Text] A generally much lower price for coconut oil pushed up the volume of coconut product exports by as much as 115.6 percent to 1,260,582 metric tons in copra terms during the period of January to July this year from 584,637 metric tons last year.

The average coconut oil price for the seven-month period was reduced by more than half to \$311.29 per metric ton from the previous year's record of \$684.46 per metric ton. As a result, total export receipts increased by only 6.6 percent from \$313.51 million to \$334.04 million despite the substantial increase in volume.

The latest available data from the United Coconut Association of the Philippines, Inc. (UCAP) showed that coconut oil accounted for the bulk in terms of both volume and value.

Representing 86.3 percent of the total volume (copra terms), coconut oil shipped during the period amounted to 685,622 metric tons, marking a 127.8 percent increase from last year's 301,000 metric tons.

In terms of value, coconut oil improved 3.6 percent from \$206.02 million to \$213.43 million, accounting for 63.9 percent of the total for all coconut products.

The second biggest earner among coconut products was copra meal with \$39.97 million or 191.7 percent more than last year's \$13.7 million. The total shipment likewise went up 152.3 percent to 460,262 metric tons from 182,412 metric tons.

All copra meal exports went to Western Europe which has become the Philippine's biggest buyer of coconut products. The continent, during the period, again edged out the United States as the country's biggest buyer of coconut oil.

Although the US and Western Europe combined accounted for almost half of the country's total coconut oil shipments, buying 45.7 percent and 42.8 percent, respectively, Europe's total coconut oil purchase increased more than three-fold from 73,730 metric tons last year to 313,181 metric tons.

The US reported a 71.6 percent increase from last year's volume of 171,079 metric tons to 293,609 metric tons. In terms of value, however, the United State's \$92 million worth of coconut oil purchased during the period was not very far from Europe's \$96.26 million.

It was only in 1983 that Europe bought more coconut oil from the Philippines than the US. During that year, the Europeans bought 442,339 metric tons against the Americans' 426,612 metric tons. In terms of value, however, the USA's purchases were bigger at \$225.92 million against Europe's \$204.96 million.

Exports of copra which resumed last March also went mostly to Europe. During the period, a total of 26,153 metric tons were exported to Korea, Taiwan, Japan, and Europe. Total shipments were valued at \$3.33 million.

Europe accounted for more than a third, buying 9,000 metric tons for \$1.14 million.

Exports of coconut products are expected to increase this year following a substantial improvement in production. According to UCAP's initial forecast for 1986, total output will reach 2.15 million metric tons, a 9 percent increase from last year's 1.973 million metric tons in copra terms.

Due to the expected increase in overall production, UCAP estimates that the total exportable volume will reach 1.795 million metric tons from 1985's 1.254 million metric tons.

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CSO: 4200/1413

PHILIPPINES

JUSTICE MINISTER STRESSES NEED FOR LAND REFORM

HK081217 Manila MANILA BULLETIN in English 6 Sep 86 p 8

[By Rey G. Panaligan]

[Text] Justice Minister Neptali A. Gonzales warned yesterday of communist take over if the government fails to implement immediately a genuine land reform in the country.

Speaking before a group of lawyers of the Ministry of Agrarian Reform (MAR), Gonzales said that "a genuine land reform must be a reality in our time." He said that failure on the part of the government "may drive the people into the despair and hopelessness, and force them to embrace communism that seeks to destroy everything we believe in and install a new political, social, and economic order."

"When this shall come to pass, the landed amongst us may lose their land, their property, their freedom, and those of us in government may lose not only our jobs but our heads."

He urged the MAR lawyers "to sharpen their legal tools and strengthen the administrative apparatus so that they can act as catalysts in the realization of an age-old dream of providing the toilers of our soil a newer and better life."

It was in 1963 when the government started implementing the program of land reform which is aimed at breaking up the feudalistic monopoly in the ownership of land through the distribution of land to tenant farmers.

During the martial law regime of then President Marcos, a decree was issued proclaiming the entire country as a land reform area, he said. Thereafter, another decree was issued emancipating tenants of rice or corn land holding from the bondage of the soil and transferring to them ownership of the land they till.

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CSO: 4200/1413

PHILIPPINES

FARMERS' SUB-POVERTY LEVEL INCOMES HIGHLIGHTED

HK090256 Manila THE MANILA TIMES in English 6 Sep 86 p 4

[By Rodolfo Alancastro, PHILIPPINE NEWS AND FEATURES]

[Text] How much does an ordinary farmer earn?

If data gathered during the recent 2nd Annual Congress of the Kapisanan ng Uring Tagapagsaka sa Quezon [Association of Farmers' Groups] serve as a basis, an ordinary rice farmer earns less than P14 per hectare per day, while a coconut farmer earns even less—about P4.70 (provided he does all the work involved in copra production and does not hire help).

Another group, a Canadian fact-finding mission, came up with a higher income figure for Negros Occidental rice farmers—less than P20 per hectare per day.

This means that, depending on the region, an ordinary rice farmer's income ranges from P420 to P600 per hectare per month, while that of a coconut farmer averages only P123 per hectare per month.

According to recent figures, the average land size for rice tilled by a farmer is 1.8 hectares, while for coconut land, the average is 2 to 3 hectares. This gives the rice farmer a real income of from P756 to P1,080 per month, while a coconut farmer nets P246 to P369 per month. This income range is way below the country's poverty line income set by the National Economic and Development Authority at P2,200 per month.

The Quezon farmers based their income figures on a test case in Candelaria, Quezon where farmers harvest an average annual yield of 160 cavans for two crop seasons.

At the prevailing market price of P120 per cavan a farmer grosses P19,200. From this, production costs amounting to P14,280 are deducted, leaving a net of P4,920.

A coconut farmer working on a hectare planted to about 150 coconut trees will average 5,000 nuts per harvest. Per estimate, 100 nuts yield 25 kilos of copra. Thus, 5,000 nuts would yield 1,250 kilos of copra. At the current price of P1.20 per kilo of copra, a farmer would gross P1,500.

From this amount, P250 would be deducted as transport cost for 1,250 kilos of copra (based on a rate of P120 per 100 kilos), leaving a difference of P1,250. The difference is divided between the landlord and the farmer based on the usual 60-40 sharing ratio in favor of the landlord. Thus, the landlord gets P750 while the coconut farmer gets P500.

Total production cost is actually greater than the farmer's real income of P500. He, therefore, incurs a loss of P145. How does the coconut farmer reverse this loss?

Usually, he takes a co-worker to help him in copra production, then divides his net earnings and savings on production cost (totalling P1,145) equally between him and his co-worker. Thus, each man gets P572.50, which represents earnings for three months.

Since a coconut farmer harvests three times a year, he earns P1,717.50 per year, or around P4.70 per day.

A group belonging to the Canadian Catholic Organization for Development and Peace (CCODP) which visited the country last June also gathered data on the economic conditions of Filipino farmers. Their findings reveal that an average farmer in Negros Occidental earns less than P20 per day.

In its report, the Canadian-based organization, which sponsors development projects for Third World countries, estimated a farmer's income to be merely P7,146 per year.

They arrived at this figure upon computations based on a maximum harvest of 120 cavans per hectare. At P110 per cavan, the farmer grosses P13,200.

Gross earnings per harvest (P13,200) less production costs (P11,612) gives the farmer a real income of P1,588 per hectare per harvest.

Multiplying real income by 5 (being the number of crops every two years) results in P7,940. Half of this (P3,970) represents the farmer's income per hectare per year.

Since the average size for rice land is 1.8 hectares, the farmer's real income amounts to P7,146 per year, or about P19.35 per day, according to CCODP.

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CSO: 4200/1413

PHILIPPINES

DEVELOPMENT BANK'S NON-PERFORMING ASSETS SOLD

HK030946 Manila THE MANILA TIMES in English 3 Sep 86 pp 1, 2

[Text] The Development Bank of the Philippines [DSP] told President Aquino Monday more than P900 million worth of DBP's non-performing assets has already been sold to the private sector.

The DBP board of governors met with the President to brief her on the recent achievements of the bank.

DBP Chairman Jesus Estanislao also told Mrs Aquino the DBP had already resumed agricultural lending. He said since the takeover of the new DBP management, about 163 loans for small and medium-scale agricultural projects had already been granted.

In line with Mrs Aquino's priority program to develop the countryside, Estanislao said, most of these loans were given to beneficiaries in the provinces.

Tomas Apacible, a member of the DBP board, said only 10 out of 163 loan recipients come from Metro Manila.

Apacible said the President, contrary to reports, "is very happy about these developments."

He said the DBP board also briefed President Aquino about the two foreign offers to buy the Cebu Plaza Hotel in Cebu City. These offers, he said, came from an Australian businessman and from a Japanese group.

The Cebu Plaza Hotel was constructed during the Marcos administration using DBP funds.

Apacible added that the Australian businessman has offered to buy the hotel for P212 million, while the Japanese group for P211 million. He noted that the hotel was being sold during the previous administration for only P90 million.

He said the two offers "are very good," but the DBP still needs the recommendation of the Ministry of Tourism before awarding Cebu Plaza to any of its bidders.

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CSO: 4200/1415

PHILIPPINES

PESO'S EXCHANGE RATE DECLINES; DOLLARS SOLD

HK051527 Quezon City BUSINESS DAY in English 5 Sep 86 p 2

[Article by Noel D. de Luna]

[Text] The peso's exchange rate slipped further to P20.533 per U.S. dollar during yesterday's expanded trading on the foreign exchange trading floor of the Bankers Association of the Philippines [BAP].

Off-floor transactions, handled during the morning session and technically not within the BAP floor trading--saw Philippine Banking Corp. selling \$2 million and Equitable Banking Corp. selling \$1 million, both to the Land Bank of the Philippines at a rate of P20.61 to a dollar.

During the afternoon session, which is the trading floor exercise, the Central Bank [CB] sold \$4 million to the Philippines National Bank and \$1.4 million to the Associated Bank at a rate of P20.49 per dollar.

The resulting average for the day was P20.533, up by P0.021 from Wednesday's P20.512.

On the black market, BUSINESS DAY sources said, the rate was P20.99 to a dollar for telegraphic transfers and P20.45 for greenbacks.

Traders were divided on the CB's dollar selling, which was first noted last Wednesday.

Some said the CB was merely posting its price "for display" and that no deliveries were taking place. They considered the CB-PNB and CB-Associated Bank deals as "wash sales."

Other traders said the CB may really deliver dollars to PNB for reselling to a major oil multinational company. Traders confided that an oil multinational needed at last \$9 million for today and that the dollars therefore should have been ordered through the interbank network in the past few days. During the past two days, two government banks bought \$7.7 million.

Traders sympathetic to the CB argued that had the CB not priced its dollars below those of other sellers, there would have been wide fluctuations in the exchange rate.

The CB has pledged to the International Monetary Fund, not to intervene in the dollar market but does not look kindly on wide fluctuations, they said.

The traders said a P0.10 fluctuation is wide enough for a thin market and the CB will have to bring the rise down to a maximum of P0.05.

They also said the market for this month is an [word indistinct] because of the dollar demand of oil companies.

Since the market is rather narrow, a sudden surge in demand may cause wild gyrations in the exchange rate, which can cause panic in the business community.

Except for oil companies, importers are not yet putting on pressure on the dollar market. Banks, on the other hand, are still awash with dollars.

However, some traders are positioning for a yearend rate of P21 to P21.50 per dollar, and are speculating on the profit they can make.

Such a rate "would still not be that bad," a trader said.

For the moment, those with money prefer to buy dollars because of the low interest rate on pesos. They put their dollars on call deposits, such as those in Singapore and London, and earn almost the same interest rates as they would in peso accounts, with the advantage that the peso yet depreciate in the future. [as received]

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CSO: 4200/1415

PHILIPPINES

CENTRAL BANK SELLS ALL THREE-YEAR TREASURY NOTES

HK081213 Manila MANILA BULLETIN in English 6 Sep 86 p 17

[Text] The Central Bank [CB] announced yesterday that the entire P3.5 billion issue of three-year treasury notes had been sold out over the counter after barely a week from its public offering.

The CB, acting as fiscal agent of the government, said sales of the treasury notes were at yields to maturity ranging from 16 to 17 percent based on graduated volume.

The P3.5 billion floatation was earlier authorized by the Monetary Board and approved last month by President Aquino on the recommendation of the Minister of Finance. The notes were publicly offered last 28 August.

The CB noted that the brisk sales turnout is significant in view of previous investor preference (prevailing since 1984) for short-term securities such as treasury bills and CB bills and considering that the notes comprised the first publicly-offered medium-term treasury issue which experienced rapid favorable market response in recent years.

The yield scale of the notes was initially perceived as being conservatively pegged owing to the withholding of the 20 percent final tax on the corresponding discount for the entire three-year term. Under this methodology, the pricing mechanism at one secondary market will have to be adjusted accordingly and financial intermediaries will have to equate such factor against possible market resistance.

The CB said the brisk sellout, however, indicated otherwise, signalling some degree of market optimism toward current development despite the front-load tax.

Of the total amount sold, banks accounted for P2.14 billion or 61.10 percent while non-banks absorbed P1.36 billion or 38.9 percent.

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CSO: 4200/1413

PHILIPPINES

CENTRAL BANK REDUCES REDISCOUNT RATE

HK011314 Quezon City BUSINESS DAY in English 1 Sep 86 p 2

[Text] The Central Bank [CB] has reduced the rediscount rate--the interest rate it charges commercial banks for loans--by one percentage point to 11.75 percent from the previous 12.75 percent. The reduction takes effect today.

The move is intended to encourage banks to be more active in lending to business and industry by making it cheaper for banks to borrow from the CB in order to meet the reserve requirement.

The Monetary Board, the policy-making body of the CB which approved the reduction last Friday, noted that in the period October 1985 to August 1986, rates on borrowing instruments of banks generally dropped.

This meant that the rediscount rate of 12.75 percent announced under Circular No 1086 dated Nov. 29, 1985 was no longer consistent with market rates.

In particular, the board noted that the weighted average rate on outstanding savings, time and demand deposit liabilities and promissory note issues which stood at 12.83 percent in October 1985 (which was close to the 12.75 percent rediscount rate prevailing then) gradually dropped to 11.23 percent in June, to 10.81 percent in July and to 0.35 percent in August this year.

The CB said the extent of the reduction in the rediscount rate was based however on banks' marginal costs which, in turn, was based on the average 90-day Manila Reference Rate (MRR-90) and rates on time deposits of 61 to 90 days, among other considerations.

The rediscount rate is considered one of the key monetary instruments available to the CB in controlling the overall credit condition in the economy. It is also considered as a financial barometer which reflects the direction of current CB policy.

A high rediscount rate generally discourages banks from lending in excess of the required reserves since it is expensive for banks to turn around and borrow from the CB to fill up reserve deficits.

A high rediscount rate thus has the effect of slowing down overall economic activity since business and industry, under normal conditions, rely heavily on bank loans.

On the other hand, a reduction in the rediscount rate encourages commercial banks to increase their lending activities since they can easily, if needed, borrow from the CB.

Banks generally go to the rediscount window of the CB only when they are really hard pressed for cash since the rediscount rates of the CB are often higher than those charged by other sources of funds.

Since the start of this year, credit demand has remained soft primarily because of the slowdown in business activity.

During the first half of the year, the commercial banking system as a whole experienced a decline in its loan portfolio, with interest on loans, which constituted more than 48 percent of the total income of the system, contracting by a hefty 30.4 percent.

From the tight credit situation that persisted during 1984 and 1985, commercial banks this year have seen a gradual increase in their overall liquidity, basically as a result of the drop in loan demand.

This highly liquid condition of banks has been increased further by the decision of monetary authorities to loosen their grip on the growth of overall money in the system by reducing the banks' reserve requirement.

The reserve requirement, or the amount of deposits money banks are required to set aside under the law to meet sudden and massive withdrawals, has been reduced to 21 percent early last month from 24 percent before September 1985.

The reduction by one percentage point in the reserve requirement last month released some P950 million into the money stream which can be tapped by banks for lending.

Loan demand however remains weak despite a corresponding drop in banks' lending rates as a result of the series of adjustments in the reserve requirement.

In fact, the reserve positions of commercial banks, even without considering the impact of the latest reserve requirement reduction, is already in excess as shown by CB data.

Latest CB data covering the July 28 to Aug 1 period, showed banks with excess reserves of P335 million. This followed the P708-million excess reserves posted for the previous week ending July 25.

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CSO: 4200/1422a

PHILIPPINES

COMMERCIAL BANKS' ASSETS DROP 1.5 PERCENT

HK011322 Quezon City BUSINESS DAY in English 1 Sep 86 p 2

[Text] The Central Bank [CB] reported that the combined assets of the country's commercial banking system amounted to P276 billion as of end-July, down 1.5 percent from the previous month's ending level.

The CB noted that two component groups of the system—private domestic banks and the local branches of foreign banks—experienced a contraction in their assets in July.

The CB said funds to cover deposit withdrawals, new loans and increases in other asset accounts exceeded funds generated from additional borrowings and partial liquification of trading account securities and government bond holdings. The situation resulted in a P2.8-billion slippage in cash position.

Net outflow in all types of deposits—in both domestic and foreign currencies—reached P3.6 billion and was very apparent within the private domestic group. The government and foreign sectors recorded dips in demand deposits only. The total P3.6-billion decrease in deposits was the second to, but way below, the highest P10.1 billion suffered in January this year.

After a P1.3-billion increase in July, the combined loan portfolio of the commercial banking system reached the P127.8-billion level, while investment accounts dropped to P29.3 billion from the previous month's P33.1 billion.

Results of operation for the first semester of 1986 registered a faster pace of decrease in gross revenues than in the reduction of expenses. Interest on loans, which constituted more than 48 percent of the total income of the system, contracted by 30.4 percent. This slump coincided with the consistent downtrend in loan portfolio during the first semester of 1986. Interest on deposits, which composed about 40 percent of total operating expenses, likewise contracted but at only 20.9 percent.

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CSO: 4200/1422a

PHILIPPINES

MAY 86 RETAIL PRICE INDEX RISES SLIGHTLY DURING MAY

HK031533 Quezon City BUSINESS DAY in English 3 Sep 86 p 2

["Economic Indicator" column: "Retail Price Index Inches Up in May"]

[Text] The retail price index (RPI) for all items in Metro Manila grew slightly by 0.66 percent in May from the year-ago level, statistics gathered from the National Census and Statistics Office (NCSO) indicated. Using 1978 as the base year, the RPI last May came to 366.6 index points, 2.4 index points higher than the 364.2 index points registered in the same month in 1985.

The RPI measures the monthly changes in prices at which retailers dispose of their goods to consumers and end-users. Its market basket contains approximately the same food and non-food items included in the consumer price index (CPI) basket. It however includes more construction materials but excludes light, water, rentals, wages and other service items.

The May increase came about despite the 1.15 percent drop in the wholesale price index (WPI) during the month from 408.1 index points to 403.4 index points.

Among the RPI items, mineral fuels, lubricants and related materials registered the highest decline in its index, a 16.29 percent drop from 510.7 index points in May 1985 to 427.5 index points. The main factor for the decline was the rollback in the prices of kerosene and fuel which was approved by the government last March.

Retail Price Index in Metro Manila
(1978 equals 100)

Year/ Month	All Items	Food	Beverages & Tobacco	Crude Materials Except Fuel	Mineral Fuels, Lubricants & Related Products
1985	366.4	338.6	346.3	369.0	519.0
January	365.1	336.6	333.2	359.2	548.9
February	363.8	333.5	335.6	361.9	548.2

Year/ Month	All Items	Food	Beverages & Tobacco	Crude Materials Except Fuel	Mineral Fuels, Lubricants & Related Products
March	361.9	333.1	338.7	363.9	519.9
April	363.9	335.6	341.1	369.7	511.6
May	364.2	336.5	341.2	365.4	510.7
June	363.1	334.4	345.6	367.0	511.5
July	368.4	342.0	350.0	365.4	512.6
August	367.6r/	340.3	353.3	366.7	512.6
September	367.0	339.1	353.5	375.3	512.6
October	368.5	340.7	353.1	376.3	512.7
November	370.8	344.1	354.9	377.8	513.2
December	373.2	347.4	355.7	379.8	513.2
January	337.8	354.7	365.1	383.7	505.7
February	373.4	350.8	369.8	384.2	454.1
March	373.1	349.5	373.7	382.0	448.8
April	369.4	344.5	376.9	376.0	433.9
May	366.6	343.2	379.2	377.7	427.5

Year/ Month	Chemicals Including Animal & Vegetable Oils & Fats	Manufactured Goods Classi- fied Chiefly by Materials	Machinery & Trans- port Equipment	Miscellaneous Manufactured Articles
1985	411.2	416.7	295.2	404.6
January	404.1	415.4	293.2	395.1
February	405.2	416.9	293.1	398.2
March	407.8	413.8	294.4	401.5
April	408.8	416.4	295.3	403.0
May	412.0	416.1	297.3	402.6
June	412.6	415.3	297.1	402.8
July	412.6	417.1	295.2	404.3
August	413.3	417.7r/	294.2	404.4
September	412.6	417.0	294.6	405.4
October	414.4	418.3	295.1	409.8
November	415.1	417.9	295.5	412.0
December	416.5	418.4	297.1	416.3
1986				
January	419.1	416.2	301.9	416.7
February	422.6	418.1	312.0	421.2
March	430.5	418.7	317.2	423.2
April	434.4	418.8	318.9	424.3
May	428.7	409.1	317.5	419.0

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Source: National Census and Statistics Office (NCSO)

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CSO: 4200/1415

PHILIPPINES

ECONOMIC INDICATOR ON DECLINE OF GROSS CREDIT

HK011320 Quezon City BUSINESS DAY in English 1 Sep 86 p 2

["Economic Indicator" column: "Banks Gross Credits Fall 7.4 Percent"]

[Text] Gross domestic credits of deposit money banks as of the first semester of the year fell 7.4 percent from the yearago level, latest date from the Central Bank [CB] showed. These credits consist of domestic securities and loans and advances extended to the national government, local and semi-government entities and private businesses and individuals, as well as credits to the CB.

Indicative of the soft loan demand during the period, gross credits slid down to P142,622.1 million from P154,143.7 million in the first half of 1985.

Credits contracted because of the weak demand for loans and advances which accounted for the bulk or P112,893.3 million. This marked a decline of 9.80 percent from last year's P125,155.4 million.

Most of the loans and advances were extended to private businesses and individuals who borrowed P97,420.4 million this year. Their borrowings, however, dwindled 9.19 percent from last year's P107,277.4 million.

Likewise, credits to the CB decreased 4.15 percent from P8,256.3 million to P7,914.0 million this year.

On the contrary, domestic securities went up 5.22 percent ot P21,814.8 million from P20,732.0 million. All sectors increased their domestic securities borrowings from deposit money banks.

[Table on following page]

Gross Domestic Credits of Deposit Money Banks
As of June 1986 and 1985
(in million pesos)

	<u>1986</u>	<u>1985</u>
Grand Total	142,622.1	154,143.7
Domestic Securities	21,814.8	20,732.0
National Government	11,498.7	11,302.3
Local & Semi-government Entity	2,727.8	2,261.6
Private Business & Individuals	7,588.3	7,168.1
Loans and Advances	112,893.3	125,155.4
National Government	1,360.1	1,509.7
Local & Semi-government Entity	14,112.8	16,368.3
Private Business & Individuals	97,420.4	107,277.4
Credits to the CB	7,914.0	8,236.3
CBCIs	547.8	1,523.8
CB Bills	7,366.2	6,732.5

Source: Central Bank

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CSO: 4200/1422a

PHILIPPINES

ECONOMIC CONDITIONS IN CENTRAL VISAYAS WORSENING

HK031351 Quezon City BUSINESS DAY in English 3 Sep 86 p 4

[Article by Manuel S. Satorre Jr. of Depth News (Cebu City)]

[Text] Exactly 74 percent of the nine cities and 123 municipalities in Central Visayas fall in the category of depressed areas.

This was among the latest findings of a National Economic and Development Authority (NEDA) survey of Cebu, Bohol, Negros Oriental and Siquijor to determine actual economic conditions in the region in the face of growing insurgency problem.

Considered depressed cities and towns are those having an annual income of less than P400,000, per capita income at P1,500 and below, and 11 percent and above malnutrition rate, and an infant mortality rate of 24 percent or higher.

Of the 123 towns surveyed, the study notes that a total of 97 municipalities or 75.3 percent fall under the depressed area category. At least two cities, Canlaon in Negros Oriental and Lapulapu in Cebu, belong in this bracket.

Of the 10 most depressed towns in the region, the study reveals that seven are in Cebu with the two of Poro in Camotes Island as the poorest. The other six Cebu towns are Pilar, Aloquinsan, Alegria, Cordova and Samboan.

Included in the top list are the towns of Vallehermoso and Tayasan in Negros Oriental and Duero in Bohol.

Surprisingly, Cebu city, considered the regional capital of Central Visayas, ranks only sixth as the most non-depressed area in the region. Manjuyod, a remote town in Negros Oriental, got the top rating as most non-depressed area, followed by Cortes in Bohol, Boljoon in Cebu, Dumaguete in Negros Oriental and Loboc in Bohol.

According to NEDA regional director Rey Estanislao Crystal, this is actually the second poverty level study conducted by his office. The first was made in 1977 which had a different basis in the determination of a depressed area.

There were: the number of central place functions found in the town, number of noncentral or industrial functions in the municipality, agricultural productivity per hectare of land cultivated, and municipal revenue for the past fiscal year. In addition to spotting the depressed areas, the earlier study also indentified growth centers.

The results of the first survey showed that out of the then nine cities and 122 towns in the region, 38 or 29 percent were depressed. Particularly alarming in the initial finding is the situation in the province of Siquijor in which all its six municipalities appeared to be depressed in all four counts.

In Cebu, 19 out of five cities and 48 towns were depressed. Nine out of one city and 46 towns in Bohol and four out of three cities and 22 towns in Negros Oriental were also depressed. In all these municipalities, the study found that agricultural productivity and the level of economic activity were the lowest in the whole province.

Crystal explains that the latest survey held in April 1986 was conducted to determine whether the number of depressed areas in the region had increased and decreased.

Government also wants to know whether the depressed areas then are still the ones considered depressed nine years later, he said.

Although the results of the 1986 study may not be comparable with the 1977 study, since both studies use different variables, Crystal says the new study clearly indicates an increase in the number of depressed areas.

Municipalities earlier considered as growth centers have been found to be among those areas identified as depressed, he adds.

He warns that this condition necessitates immediate attention of regional and national government officials to redirect priorities for development, particularly in the light of the growing insurgency problem.

If nothing is done by government and even by the private sector to reverse conditions in these depressed cities and towns in Central Visayas, Crystal says, a more serious social problem can be expected in the near future.

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CSO: 4200/1415

PHILIPPINES

FOOD AUTHORITY FACES RICE SURPLUS PROBLEM

HK031321 Quezon City BUSINESS DAY in English 3 Sep 86 p 22

[Text] With a projected 11 percent increase in rice production, the National Food Authority (NFA) will face a bigger problem: how to dispose of rice surplus next year.

A proposed solution is to export some 500,000 metric tons of rice by next year. However, this will mean losses to NFA which will have to be funded by about P2.7 billion to procure 10 percent of the projected harvest of 9.1 million metric tons of palay.

The NFA council last week approved in principle a reduction in the support price of palay by 50 centavos or from P3.50 to P3 per kilo. The reduction will have to be effected in order to boost NFA's procurement capabilities. A much lower support price will enable NFA to procure 10 percent of total harvest instead of its traditional procurement volume of 6 percent of total production if it maintains the support price at P3.50.

The NFA is set to buy at P3 per kilo by this month. At 10 percent, NFA will procure 910,000 MT of palay or its equivalent of 591,000 MT of rice at a recovery rate of 65 percent.

This additional volume, however, will add to NFA's growing problem of excess rice inventory. As of last month, the food agency is saddled with a huge inventory of 540,000 MT of rice, of which 170,000 MT are imported stocks.

This huge inventory is giving NFA a headache. It cannot dispose of the rice stocks in the domestic market since it may be severely disrupted. Selling its stock to that market at the rate of 70 MT a day (against a national consumption rate of 16,00 MT), NFA will take 21 years to dispose of its total inventory.

The food agency is currently finding ways to dispose its present inventory without necessarily disrupting the market. It proposes to supply the rice requirements of government agencies, including the military and public school teachers. This sector will account for about 27 percent of NFA's total inventory. This scheme, however, will require approval from Malacanang since selling the rice stocks to government employees may mean subsidies.

Another way to dispose of excess rice supply is to donate some of NFA's stocks to poverty stricken province of Negros Occidental. Ministry of Agriculture and Food officials told BUSINESS DAY that a working paper is being prepared on how to dispose of the rice stocks through donations to the province.

A third solution is to export the excess rice stocks. Agriculture and Food Minister Ramon Mitra earlier said about 300,000 MT of NFA's present rice stocks will have to be exported even at a loss. Prevailing world market prices of rice stand at P4 per kilo as against domestic prices of P6 to P8 per kilo.

However, even if the government sells its rice stocks at a loss, these seems to be no willing takers. Worldwide production of grains is on the upswing and at its highest level at the moment.

Indonesia which exported to the Philippines 100,000 MT of rice last year has not responded to the government's notice that it will pay back the rice loans with NFA's excess rice stocks. It is stipulated that the Philippines can pay its rice loans in cash or in kind. But after about four months of silence, Indonesia is deemed uninterested in accepting NFA rice stocks as payments.

Mitra said last month that some countries like South Korea had expressed interest to buy the country's rice surplus. However, MFA sources said there has been no fresh development on this matter.

When Mitra announced the projected 11 percent increase in rice production, he qualified that the increase will be sufficient only to "meet our needs." However, he seemed to fail to recognize that the country's total consumption is only being taken care of by the commercial traders, and NFA accounted for less than 1 percent of the total requirements.

NFA sources claimed that if the present stock of 540,000 MT is not disposed of at the proper time, the incoming stocks of more than 500,000 MT will give NFA additional headaches.

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CSO: 4200/1415

PHILIPPINES

PRODUCTION VALUE INDEX DROPS 7.6 PERCENT

HK051515 Quezon City BUSINESS DAY in English 5 Sep 86 p 3

["Economic Indicator" column: "Production Value Index off 7.7 Percent"]

[Text] The value of production in key manufacturing enterprises, according to a monthly survey by the National Census and Statistics Office (NCSO), dropped 7.66 percent in May from the year-ago level.

The NCSO, surveying 500 top manufacturing companies based on Metro Manila, registered the production value index at 97.7 points, down 8.1 from 105.8 in May last year.

Base year of the index is 1985.

Declines were recorded in the indices of seven subsectors: petroleum products, wood and wood products, basic metals, tobacco, beverages, food, and miscellaneous manufactures. These decreases more than offset increases in eight other subsectors.

Petroleum products registered the biggest decline of 45.5 percent, from 126.6 index points in May last year to 69.0.

The index of value of production measures the cost incurred by a manufacturer in producing goods and services in a particular month as compared to the corresponding figure for the base year. Generally, it includes the cost of direct labor, raw materials and the manufacturing overhead.

Index of value of production of key manufacturing enterprises, by industry
May 1985-1986
(1985:100)

1985

Sector	May	June	July	August
Manufacturing	105.8	96.3	96.6	98.0
a. Food	99.4	102.3	98.4	96.1
b. Beverage	109.3	100.5	90.9	92.7
c. Tobacco	106.1	93.5	102.6	105.1

	May	June	July	August
d. Textile	92.6	98.7	107.2	102.6
e. Wearing apparel	100.2	93.9	110.2	107.1
f. Wood and wood products	112.6	105.9	99.0	95.0
g. Paper and paper products	92.2	86.6	92.6	96.7
h. Chemicals	97.5	84.8	93.6	93.2
i. Rubber products	94.8	83.1	101.2	105.5
j. Petroleum products	126.6	90.5	86.0	91.1
k. Non-metallic mineral products	108.2	104.1	111.1	109.9
l. Basic metals	113.0	86.1	93.1	110.4
m. Transport equipment	86.6	112.9	115.3	122.5
n. Electrical machinery	110.4	104.5	92.5	89.9
o. Miscellaneous manufactures	103.8	106.2	111.2	94.9

	Sept	Oct	Nov	Dec
	88.4	103.4	100.9	108.0
a.	88.4	97.4	91.3	93.7
b.	92.4	92.6	100.8	106.2
c.	99.6	107.4	102.2	97.5
d.	105.9	118.3	114.1	90.6
e.	108.9	108.7	102.2	122.2
f.	78.2	84.7	86.8	72.4
g.	99.8	108.6	106.9	97.1
h.	100.0	99.6	100.9	112.7
i.	101.9	117.3	86.8	115.3
j.	62.0	120.8	113.0	121.7
k.	93.3	71.1	89.8	114.8
l.	106.1	103.9	103.3	150.5
m.	98.6	107.3	107.8	124.4
n.	86.0	89.2	92.7	86.7
o.	90.5	84.4	82.6	59.8

1986

	Jan	Feb	Mar	Apr	May
Manufacturing	89.0	98.9	95.3	95.7	97.7
a. Food	99.4	98.5	96.1	93.5	94.4
b. Beverage	80.9	73.5	76.5	95.0	92.9
c. Tobacco	107.6	94.0	75.6	81.5	84.2
d. Textile	109.1	116.6	111.9	128.0	134.2
e. Wearing apparel	88.9	94.4	90.5	113.9	113.8
f. Wood and wood products	42.2	61.3	61.1	66.9	66.9
g. Paper and paper products	83.2	98.5	112.8	118.5	111.5
h. Chemicals	100.4	91.8	103.2	95.9	97.9
i. Rubber products	93.2	101.8	98.6	98.4	99.6
j. Petroleum products	93.9	93.1	88.3	75.8	69.0

	Jan	Feb	Mar	Apr	May
k. Non-metallic mineral products	94.1	98.9	111.7	108.7	134.3
l. Basic metals	74.0	94.8	99.2	119.8	88.8
m. Transport equipment	81.7	81.2	87.8	98.4	96.0
n. Electrical machinery	67.3	92.0	98.4	88.7	126.4
o. Miscellaneous manufactures	91.1	115.5	108.0	123.0	102.2

Source: Monthly Survey of Key Manufacturing Enterprises
Economic Census Branch, National Census and Statics
Office (NCSO)

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CSO: 4200/1415

PHILIPPINES

DOMESTIC LIQUIDITY RISES 5.89 PERCENT

HK081201 Quezon City BUSINESS DAY in English 8 Sep 86 p 2

["Economic Indicator" column: "Domestic Liquidity Rises 5.89 percent"]

[Text] Domestic liquidity (M3) improved 5.89 percent in July to P124,206.5 million from P117,297.0 million in the same month of last year, according to the latest available data from the Central Bank.

Domestic liquidity consists of money supply, quasi-money and deposit substitutes. It roughly determines the availability of credit in the system.

The increase in domestic liquidity came mostly from the 14.58 percent rise in money supply. Money supply, the total currency in circulation and peso demand deposits, went up P4,139 million to P32,532.2 million from P28,393.2 million last year.

Quasi-money, which accounted for the bulk of domestic liquidity, also increased 6.19 percent of P84,217.3 million from last year's P79,308.8 million.

The preference for easily withdrawable deposits over time deposits was reflected in the 31.84 percent rise in savings deposits and the 15.69 percent decline in time deposits.

On the contrary, deposit substitutes fell 22.28 percent to P7,457.0 million from P9,595.0 million a year ago. Deposit substitutes consist of promissory notes, purchase agreements, trust certificates and other debt instruments used for the purpose of relending or purchasing receivables and other obligations.

Domestic Liquidity
as of July 1986 and 1985
(in million pesos)

	1986	1985
Total Domestic Liquidity	124,206.5	117,297.0
Money Supply	32,532.2	28,393.2
Currency in Circulation	21,176.8	18,196.6
Currency Issue	24,125.2	20,974.9

Less: Inactive Cash	2,948.4	2,751.3
Peso Demand Deposits	11,355.4	10,196.6
Local Government	1,060.4	791.6
Semi-government Entities	471.1	579.4
Private Businesses	8,780.2	7,744.7
US Government	59.2	43.1
Cashier's, Manager's Checks	1,318.9	1,517.2
Less: Coci, Others	334.4	479.4
Quasi-Money	84,217.3	79,308.8
Savings Deposits	48,138.6	36,514.2
Time Deposits	36,078.7	42,794.6
Deposit Substitutes	7,457.0	9,595.0

Source: Central Bank

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CS0: 4200/1413

PHILIPPINES

LABOR, MANAGEMENT DISAGREE OVER CONFERENCE

HK031529 Quezon City BUSINESS DAY in English 3 Sep 86 pp 2, 11

[Article by reporter Gethsemane M. Selirio]

[Text] Labor and management are in disagreement over the holding of the second National Tripartite Conference to review the Labor Code, which is scheduled to be held next month.

In separate pretripartite meetings held with Ministry of Labor and Employment (MOLE) officials last week, it became apparent that the reason for the disagreement is the much-delayed ministry guidelines on labor relations.

Labor groups want the tripartite conference postponed until after the release of the executive orders covering the Labor Day announcements of President Aquino. Management, on the other hand, wants the conference to go on as scheduled before the executive orders are issued.

The main argument of labor for a postponement of the conference is the lack of official [word indistinct] for the May 1 announcements of Aquino. Without the executive orders, labor believes the liberalized strike and union [word indistinct] would remain mere announcements.

Labor also wants to protect the gains it won last May 1. The Labor Day announcements may be revised when a tripartite conference is held.

Labor leaders during their meeting with MOLE officials indicated that the President may have already reneged on a few of her Labor Day commitments. Aquino's order allowing security guards in the private sector to organize have been put on hold due to "security risks." The requirements for a strike vote even in union-busting disputes has been reaffirmed by the ministry in its draft guidelines, although Aquino said unions can ignore the cooling-off period and "take action immediately."

The MOLE is still in the process of reviewing its labor relations guidelines. There are, however, no definite plans on whether the executive orders will be issued ahead of the guidelines, if at all.

"We want executive orders, not ministry guidelines," said Rolando Olalia, chairman of the militant Kilusang Mayo Uno (KMU) [1 May Movement]. The legality of the guidelines is questionable unless it has supporting legislation, he said.

In contrast to labor's position, management believes that the tripartite conference should be held precisely to discuss what provisions an executive order amending the Labor Code should contain.

A member of the Employers Confederation of the Philippines (ECOP) insisted that the Labor Ministry should detach itself from the past practice of making "instant amendments" through presidential decrees. The ministry, he said, must utilize tripartism as a medium for genuine consultation.

"Let us not be pushed by labor. Let us bide our time until consultative meetings are held. Labor already knows it has the advantage with the May 1 pronouncements," another employer said. George Drysdale of the American Chamber of Commerce of the Philippines recommended the creation of a small tripartite group to review the May 1 announcements and to use the ministry draft guidelines as a "working draft."

The major announcements of Aquino, however, should be immediately implementable, according to the labor sector. Labor was referring in particular to the repeal of the 2/3 strike vote requirement, the 15-day cooling-off period in union-busting cases and the repeal of Letter of Instructions No 1458 which authorizes the labor minister to order the replacement of workers who defy return-to-work orders.

Aquino's proposed agenda for the national conference are the amendments to Batas Pambansa Blg. [National Law Number] 130 (Strike and Peaceful Picketing Law) and 227 (Anti-Scab Law), removal of exemptions from present wage decrees, including the integration of the cost of living allowance (COLA) into the basic pay, and the exploration of a mechanism for profit sharing.

Aside from this, Aquino wants labor and management to sign a Code of Industrial Harmony which would signify to would-be investors that the government is in control of the industrial relations situation.

In the first tripartite conference held May 28 and 29, labor and management groups failed to negotiate such a code. The government could try again at the second tripartite conference, if it could get labor and management to meet in first place.

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PHILIPPINES

ARTICLE ON AILING INSTITUTIONS COST TO GOVERNMENT

HK090257 Quezon City BUSINESS DAY in English 8 Sep 86 p 2

[Article by Daniel C. Yu]

[Text] The national government stands to lose as much as P70.3 billion, depending on what valuation scheme will be adopted, when the so-called non-performing assets (NPAS) of four cash-strapped government financial institutions are transferred to its account.

A study made by the Ministry of Finance in connection with the decision of the government to absorb these NPAS also showed that the minimum loss to the national government will still be hefty, at least P4 billion.

The study, made available to BUSINESS DAY, also indicated that the total NPAS proposed to be transferred to the account of the national government would approximate P143.2 billion with the Development Bank of the Philippines (DBP) accounting for the bulk with total NPAS worth P72.4 billion. The Philippine National Bank (PNB) has P51.9 billion, the National Investment and Development Corp. (NIDC) P13 billion and the Philippine Export and Foreign Loan Guarantee Corp. (Philguarantee) P5.9 billion.

The decision to transfer these NPAS to the national government was made by the Monetary Board, the policy-making body of the Central Bank (CB), last July as part of the major reforms for government financial institutions.

The transfer is one of the conditions set by the International Monetary Fund (IMF) and the World Bank for reducing government involvement in the banking sector while at the same time rehabilitating these state-owned enterprises and orienting them toward more productive activities.

The transfer of the NPAS from DBP and PNB, together with the corresponding liabilities, to the national government, will reduce the total resources of DBP to about P10 billion and PNB to about P24 billion. Their net worth will likewise go down to about P2 billion and P3 billion, respectively.

The transfer of the NPAS to the national government was prompted by the serious adverse impact these accounts have had on the operations of these two state-owned banks.

There are about 260 large companies to which some P142 billion have been lent by the two banks. Some of these companies have already been taken over by the government. Others will be taken over after the required legal steps are completed.

As a result of these NPAS, the national government has been compelled to subsidize DBP and PNB operations through periodic infusions of funds amounting to P8 billion in 1984, P10 billion in 1985 and P19 billion in 1986. For this year alone, the two banks account for 17 percent of the total government budget of P113 billion.

The Finance Ministry study also showed that total NPAS of DBP, PNB, NIDC and Philguarantee stood at P205.5 billion as of the first quarter this year and, for the moment, the government is considering absorbing 70 percent of this total of P143.2 billion.

The P143.2 billion includes the total exposure of the government financial institutions plus unbooked interest (outstanding interest receivables of these institutions) and unbooked charges (penalties and other charges). These were no longer allowed to be booked by the CB when the accounts were declared non-performing.

To top it all, these NPAS have collaterals with an estimated appraised value of only P79.1 billion or just half of the total exposure of the government financial institutions.

Further, the bulk of the collaterals are in the form of machineries and equipment whose value would depreciate over time. These appraisal values were made prior to 1985 which means that they do not reflect present values, particularly in cases where these equipment were not properly maintained.

The Finance Ministry study also noted that more losses may have to be shouldered by the government. Additional losses may be incurred by the government in servicing the maturing liabilities that it will assume. Losses will also arise from its assumption of foreign exchange risks.

The study recommended that the government assume the NPAS based on booked exposures, composed of government financial institutions' loans receivables, accrued interest receivables, equity investments and acquired assets, so it could cut its losses.

This will exclude actual advances made by the government financial [word indistinct] for the rehabilitation and maintenance of the acquired assets, outstanding interest receivables after they became NPAS and other penalties and charges due, both of which were not allowed to be included in the account by the CB.

By transferring these NPAS based on booked exposure, the government will lose only P4 billion for the initial P143.2 billion that will be transferred.

Such a move however is being opposed by the government financial institutions which claim they would lose heavily if accrued interest charges and penalties are not tagged on to the total financial charges due them.

The national government would lose as much as P46.9 billion if total exposure and up to 70 percent of these charges are included. If the total NPAS are transferred eventually to the national government under such a valuation scheme, the government loss would come to about P70.3 billion.

This would exert further pressure on the already strained national budget which this year expects a deficit of P27.9 billion.

**Non-performing Assets of Government Financial Institutions
Proposed To Be Transferred to the National Government[#]
(In billion P)**

	No. of Accounts	Booked Exposure a/ P	Total Exposure b/ P	Total Claims c/ P
DBP	101	P41.0	P60.5	P72.4
PNB	42	31.5	40.9	51.9
NIDC	26	4.7	6.0	13.0
Philguarantee	7	5.7	5.9	5.9
Total	176	P83.1	P113.3	P143.2

a/ Composed of government financial institutions (GFIS) loans receivables, accrued interest receivables, equity investments and acquired assets.

b/ Booked exposure plus actual advances made by GFIS for the rehabilitation and maintenance of acquired assets.

c/ Total exposure of GFIS plus unbooked interest (outstanding interest receivables of GFIS) and unbooked charges (penalties and other charges). The latter were no longer allowed to be booked by the Central Bank when accounts were declared non-performing.

[#]This covers the initial 176 accounts.

	Appraisal Value (in billion P)	Percentage
Land	P 3.8	4.9
Buildings	6.8	8.5
Machineries and equipment	57.1	72.5
Others	11.4	14.4
Total	P79.1	100.0

Source: Ministry of Finance

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CSO: 4200/1415

PHILIPPINES

DEPUTY MINISTER SAYS CHDF TO BE RETAINED

HK031547 Manila PHILIPPINE DAILY INQUIRER in English 2 Sep 86 p 10

[Article by Romy Dizon]

[Text] Camp Olivas, Pampanga--The 45,000 Civilian Home Defense Forces (CHDF) will have to be retained because of their vital role in the counter-insurgency campaign of the government.

This was disclosed Friday by Defense Deputy Minister Wilson Gamboa during an inspection of military camps to get feedback from the soldiers and officers in line with the policy of the New Armed Forces of the Philippines [NAFP].

Gamboa told local officials led by Pampanga Governor Bren Guiao that the military does not intend to abolish militiamen because they are effective in the anti-dissident campaign of government.

Militiamen know better the terrain and the political, economic, social conditions of communities which recently arrived soldiers did not know adequately, Gamboa said.

To prevent abuses, the CHDF members are currently undergoing retraining. There is also an ongoing reprocessing to professionalize the militiamen and isolate them from control of politicians and other sectors who may employ them for their personal interests.

Under the NAFP plan, the CHDF will be under the direct control and supervision of professional military men Gamboa said.

The MND [Ministry of National Defense] official also stressed that OICs [officers-in-charge] cannot terminate the services of CHDF members who are still under the control of the military.

OICs, however, may recommend removal or retention of CHDF personnel in their respective areas.

Earlier, OICs and human rights groups recommended to President Aquino the abolition of the CHDF because of abuses by militiamen. These included murder, salvaging, and violation of human rights.

During his visits to Camp Olivas and other military camps in Region 6, 3, and Mindanao, Gamboa said he discovered that the soldiers are the most neglected government employees, especially those assigned to rural areas.

Many of these soldiers have no shoes, uniforms, and sometimes eat only twice a day, instead of three times, Gamboa said.

He also said that the administration discovered unpaid claims of the soldiers amounting to P6.5 million and salary increases and COLA [cost of living allowance] hikes still unimplemented.

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CSO: 4200/1415

PHILIPPINES

SPECIAL REPORT ON SITUATION IN NEGROS

HK031222 Manila THE MANILA CHRONICLE in English 30-31 Aug, 1-3 Sep 86

[30 Aug 86 pp 1, 6 Part I]

["Special Report" by editor-in-chief Amando Doronila: "Spasms of Negros"]

[Text] Early this month, a mob of about 90 landless peasants, some of them armed, descended on rice fields in Bago city, about 20 km south of Bacolod City, harvested the ripening grain overnight and took possession of the land.

The land was part of a sugarcane hacienda and the peasants occupied only the rice lands, claiming tenancy rights under existing agrarian reform legislation which places rice lands, but not sugar lands, within its scope.

The Philippine Constabulary [PC] commander in Negros Occidental, Lieutenant-Colonel Miguel Coronel, told me that once the peasants had claimed tenancy rights, the PC was inhibited from intervening to evict them because jurisdiction goes to the Ministry of Agrarian Reform.

This unilateral act of land seizure--which is similar to occupation of vacant space by squatters in Metro Manila--is being repeated with alarming frequency in several parts of the province that has been socially and economically devastated by the collapse of the sugar industry.

Around the middle of the month, peasants occupied rice lands in Hinigaran, further south of Bacolod City. Since last March, according to provincial authorities, five cases of land occupation by what planters call the rural "squatters" have been reported--two in Hinigaran, two in Bago and one in Isabela, in the southeast near the foothills of Mt. Kanlaon, the sanctuary of an estimated 1,200 communist New People's Army guerrillas. There, a Vietnam-type guerrilla war is going on between the government's armed forces and the NPA.

Even though the scale of war is small, it is nasty. Large mortar shells have exploded on peasant villages, thousands have been driven to evacuation in the town, thatched nipa homes have been burned, and soldiers have taken undisclosed casualties. Engagements are probably in platoon size units in the hit-and-run warfare.

It is not clear whether the Small Farmer Association of Negros, which has claimed responsibility for the land seizures, is linked to the communist guerrillas. But what seems clear is that their march on the land has opened a new dimension of the class war which is now a grim reality in Negros Occidental, just as it was in Central Luzon during the Huk rebellion in the late 1940's and in the 1950's.

The land occupation signals an act of wealth redistribution by the peasantry--another form of rebellion of the poor--a time when landlord power is on the wane in a province whose agrarian structure is probably the most glaring example of land concentration in the country today.

One measure of the diminished power of the Negros landlords--who were considered the most influential power brokers during pre-martial law politics--is that when a committee of the Constitutional Commission held hearings in Bacolod City last month on land reform, the planters were not invited, although they did manage to accredit their representatives. It is a reflection of the shift of the balance of forces in the province that there was a preponderance at the hearings of organized representation from newly emerging militant social groups including unionized farm workers, the tiny Negros middle class and Roman Catholic Church groups involved in social action.

A group of planters I talked to in Bacolod City have expressed anxiety that the land marches will continue. Some landowners are already considering formation of vigilantes to defend their land. If this goes ahead, armed clashes are foreshadowed.

In northern Negros, yet another type of class conflict is developing--this time within the rural proletariat itself. Landlords have organized private armies recruited from the large floating rabble of rural jobless and have set them upon farm workers on strike against low wages and poor working conditions in some haciendas. The workers are paid wages as low as P14 to P18 a day, compared with the minimum wage of P32.50 a day for agricultural workers.

Indeed, poverty and deprivation have not only intensified the conflict between the landed and the landless; they have also given opportunities for the rich to exploit the poor and pit them against their kind.

In Cadiz City, also in northern Negros, former Congressman Armando Gustilo holds forth with his private army and continues to hurl, through his radio station, defiant words against the government of President Aquino. Gustilo, a landlord who was one of deposed President Marcos' principal instruments of political control over the sugar industry in Negros Occidental, has refused to accept not only the authority of the new central government but also the reality of social and political change.

The instability of the central government which is being pulled apart by conservative and populist tendencies represented in the Aquino coalition cabinet has somewhat contributed to the paralysis of public authority in Negros Occidental Province.

[31 Aug 86 pp 1, 7 Part II]

[Text] The inability of the National Government to enforce its political will over its rebellious provincial subjects offers a superficial explanation to the breakdown of public authority in Negros. The economic and social dislocation in the province has deeper structural roots than the weakness of the political center in Manila.

The key to understanding the Negros crisis is sugar—the utter dependence of the provincial economy on a monoculture crop upon which the social structure was built and polarized between the extremely rich and the extremely poor.

For as long as sugar fetched good prices in the world market and enjoyed substantial quotas in the protected United States market at premium prices, the provincial economy boomed from the spin-off of the sugar profits. Although wages of farm workers remained wretchedly low, the sugar planters were able to maintain a sort of patron-client relationship in which they supplemented low wages with the traditional paternalistic subsistence aid. The maintenance of this paternalistic relationship bonded landlord-peasant ties.

But when in the early 1980's the world sugar prices plunged, the Negros sugar industry contracted. The fall of prices came as a severe blow because the Philippines no longer enjoyed the shelter of the guaranteed substantial US quota (980,000 metric tons) following the expiration of the Laurel-Langley agreement in 1974. The ability of the industry to absorb the price shock was further impaired by the mismanagement of funds of the industry by the monopolistic control imposed by the Marcos regime on sugar trading.

This disruptive contraction of the sugar industry cut cane acreage by 30 percent, causing mass unemployment. It is estimated that more than 100,000 sugarcane workers are either unemployed or underemployed.

The unemployment problem is particularly serious in Negros island which has accounted for more than 50 percent of sugarcane acreage in the country and has employed more than 200,000 sugarcane workers. Because the province is almost exclusively dependent on sugar, there are few job alternatives in other sectors of the local economy, which itself has shrunk from the sugar depression. In the process, paternalistic landlord-peasant relationship also snapped, casting workers adrift and making them susceptible to recruitment by revolutionary forces.

The most vivid evidence of the pauperization that has resulted from the crisis are the emaciated children facing a joyless future in the malnutrition wards of the provincial hospital in Bacolod City. Foreign correspondents never miss the chance to visit these wards and portray with horrifying vividness the human suffering produced by severe economic and social crisis.

Hunger and malnutrition continue to ravage the children. The latest statistics at the malnutrition ward of the provincial hospital give evidence of the depth of the economic depression. A total of 648 malnourished children out of

5,310 admitted into the ward died in 1985, compared with 370 deaths in 1984 and 221 in 1983.

In 1984, 66.7 percent of pre-school children weighed were malnourished at varying degrees. Those belonging to the second and third categories--the worst cases--represented a quarter of all the children weighed. In 1985, Negros Occidental posted the highest second and third-degree malnutrition rates in Western Visayas.

Poverty is also reflected in the infant mortality rate [IMR]. In contrast to the declining national IMR between 1980-83, that in Negros rose to 82.3 per 1,000 live births in 1983, from 71 in 1979. The number of mothers dying soon after childbirth is higher than the national average in 1979-83. In 1979, the maternal death rate in Negros was 89 percent, rising to 1.16 percent in 1983. The maternal death rate for the country was 0.95 percent in 1981.

There is no need to labor the point with further grim statistics. The shape of reality emerged during a visit to the malnutrition ward. I saw a three-year-old boy from La Carlota, nearly a skeleton wrapped in dry skin, staring blankly at the wall. He was blind from malnutrition. I asked his sister what his father was doing. She said he was cutting firewood and selling it. I asked what her mother was doing. The mother was insane. I stopped the interview and left the ward. One can suffer the truth only so much.

It is pointless to indulge in the exploration of the cruelty of poverty or of agrarian capitalism--unless we place the problem in perspective. True, the malnutrition wards are our images of our own Buchenwalds and Auschwitz's of poverty in which the young are hopelessly trapped.

But what is easily being missed is that behind these impassive masks of children who are neither dead nor alive is a larger landscape of change sweeping the feudal structure of Negros economy and society and transforming them into something perhaps more equitable and resilient.

The conflicts previously cited--the land seizures by the peasants, the war-lords' defiance of central authority, the guerrilla war of the NPA--are merely symptoms of disruptive change. They need not bring despair--for no society ever dies. Negros society has an immense capacity to renew itself.

[1 Sep 86, pp 1, 6, Part III]

[Text] The initiative to turn the Negros economy around, to reorient it from two heavy dependence on sugar and to halt the slide towards social revolution comes from concerned planters led by the acting provincial governor. Daniel Lacson.

The 39-year-old Lacson is widely seen as a dynamic executive who, under crisis, has inspired creative approaches aimed at turning back the revolutionary tide. His best-known initiative calls for the acceleration of crop

diversification, use of part of sugarlands for food production projects (agri-enterprises), and voluntary land sharing with farm workers. I shall discuss details of this plan later.

Lacson, who is a big landowner himself, wants to channel the process of change into the conduits of reform and he knows he is racing against time. In recent speeches to private organizations in Bacolod City, Lacson said that "Unless we turn the situation around in two years, perhaps we may have to join the boat people."

There is no doubt about the life-or-death intensity of this upper-class led campaign to snatch the province from falling into revolutionary hands. What is problematic is whether there is time left to reverse the slide and whether the initiative from the center offers too little.

A realistic assessment of the prospects of reformist initiatives succeeding requires us to examine the present state of the sugar industry's crisis.

A World Bank study dated 6 March 1986 on sugarlands diversification in the Philippines gives an overview, the highlights of which are summarized:

The sugar industry has been one of the important foreign exchange earners in the Philippines. During 1973-82, sugar exports averaged 1.4 million tons annually (about 60 per cent of total domestic production) and accounted for an average of 12 percent of total value of exports. Following declining world prices, the value of sugar exports fell to about \$300 million in 1983 or about 6 percent of the total value of exports.

During 1973-82, sugar contributed about 6.5 percent of the gross value added to the agricultural sector in 1972 constant prices. The contribution declined to slightly over 4 percent in 1983. In 1983-84, about 500,000 workers were annually employed in the industry. On an average family size of six members, about three million people depended on the industry.

About 73 percent of sugarcane workers live and work regularly on farms, 25 percent live in nearby villages and are employed seasonally and about 2 percent are migrant seasonal workers called *sacadas*.

In 1975-76, the sugarcane area and total sugar production peaked at about 550,000 hectares and 2.9 million tons. In 1984-85, in response to the fall of sugar prices in the world market, both area and production declined to 385,000 hectares and 1.7 million tons, respectively. Further declines are projected for 1985-86 to 321,000 hectares and 1.3-1.5 million tons, respectively, or about 28 percent and 36-45 percent below the respective five-year averages up to 1983-84.

About 70 percent of all sugarcane is grown in Negros Island and Panay. The heaviest concentration is in Negros Occidental where more than 70 percent of cultivated area has been devoted to sugarcane.

The five-year average of cultivated sugarcane area in Negros Island during 1979-80 to 1983-84 was 233,999 hectares.

Of the total 30,000 sugar planters in the country (10,661 are in Negros Island), about 77 percent own farms below 10 hectares, 18 percent, own medium-sized farms [words indistinct] to 50 hectares and 5 percent, large farms of above 50 hectares. In terms of the total sugarcane area, small farms account for only about 22 percent while medium and large farms account for about 35 and 43 percent, respectively, indicating that land distribution is highly skewed. In Negros Island, of the total sugarcane area of 211,456 hectares, farms of over 100 hectares account for 44,258 hectares or 41.4 percent.

Sugarcane yields per hectare are much higher on small and large farms compared to those on medium-size farms. This has implications for land reform.

There are 41 sugar mills in the country (14 in Negros) with a total milling capacity of about 184,500 tons of cane a day, or an equivalent of 3.5 million tons of raw sugar a year. In 1979-80, to 1983-84, capacity utilization averaged 70 percent, and fell to about 50 percent in 1984-85.

The contraction of the sugar industry since 1984-85 can be traced mainly to the decline in financing available to the industry since 1984, the deterioration of law and order in Negros and since late 1984, the inability of the Philippines to export sugar profitably since its cost of production (about 10 US cents to 12 US cents a pound) exceeds the current world price of raw sugar (about 5 cents a pound).

The financing problem has been severe and made the industry contraction very disorderly. The main factors responsible for the decline in financing since early 1984 include: the cash squeeze in the economy resulting from the Marcos government's economic stabilization program; the closure of the Central Bank's rediscounting window which was the largest source of credit for the sugar sector; reluctance of some banks to lend for sugar because of the instability and uncertainty of government sugar marketing policy. This refers to the National Sugar Trading Corporation's [Nasutra] monopoly in the marketing of sugar. The failure of Nasutra to account for funds to planters aggravated planters' cash flow.

Because of the sudden and disorderly contraction in the industry many good sugar lands, which could be used for other crops, are lying idle, causing either unemployment or underemployment for about 100,000 sugarcane workers.

The job lay-offs are particularly severe in Negros because they account for more than 50 percent of sugarcane area in the country and has employed more than 200,000 workers. The almost exclusive dependence on sugarcane has left very limited alternative employment opportunities.

I am quoting the following portions of the World Bank report because of their implications for land reform covering sugarlands.

--A possibility following the approval by the Constitutional Commission of a resolution calling for sweeping agrarian reform:

Because of the impact of the industry's contraction on unemployment, "crop diversification has thus become a major issue in Negros. It is not an issue in other sugar areas since, overall, sugarlands account for less than 5 percent of cultivated area in the Philippines and, in half of the areas growing sugarcane (outside Negros), sugarcane itself can be regarded as a diversified crop as these areas formerly grew rice and other crops. In essence, monocropping in Negros is a problem if it produced largely for the world market where prices fluctuate sharply inducing severe instability in production and employment....

"The unemployment and underemployment problem in Negros and other sugarlands has been aggravated by the highly skewed land distributed. If land distribution has been less skewed, the problem would not have emerged at its present scale, despite the financing problem, since small farmers would be mostly self-financed. Moreover, given the need for sugar industry contraction, crop substitution and the provision of alternative employment opportunities would have occurred much faster on smaller farms since, unlike large planters who usually have other sources of income, small farmers cannot afford to leave their lands idle for long."

[2 Sep 86 pp 1, 6, Part IV]

[Text] In the previous article, it has been demonstrated that land concentration in Negros Occidental stands in the way of crop substitution and diversification as a means to wean the provincial economy away from excessive dependence on sugar.

The World Bank study previous cited stressed that crop substitution and diversification be given top priority because of their implications for unemployment and underemployment, which are fuelling social unrest.

The study recommended that limited land reform seemed the practicable option, recognizing that a general redistribution of sugarlands at this time "would create serious instability and merely compound the already severe problems of the industry."

Land Reform is a dreaded word in Negros. It conjures images of not only losing land but also political power and influence associated with land ownership, and giving up a sumptuous way of life enjoyed historically by the Negros landed aristocracy. Perhaps there are few provinces in the country where the notion of private property and the power that lies behind it is more sacrosanct and deeply ingrained into the bones of its inhabitants than in Negros.

It is in Negros where one still sees the hacienda whose community centers are laid out to depict the dependence of farm workers on and their subservience to the hacenderos. This pageant of lord and peasant is played out

every day--just as it has been since the British financed the expansion of the sugar industry the 19th century, following the opening of the port of Iloilo, across Negros Occidental, to international trade. The haciendas transport one back to the past--and time is frozen there.

Thus, these findings of the World Bank leave little comfort for landowners. Neither do they appeal to the revolutionaries who demand drastic land redistribution. But the World Bank report answers arguments that have been traditionally cited to resist land redistribution. According to the report:

"Experience of other major sugar producing countries of the world shows that concentration of land ownership is a deterrent to diversified farming systems. This also appears to be the case in the Philippines. The large farmers have part on all of their sugarcane areas lying idle and have not opted for crop substitution and diversification fast enough due to problems which are mainly associated with large farm sizes.

"The issue is whether land redistribution would help resolve the problems of the sugarcane areas, particularly those of unemployment and underemployment. When the sugar industry was expanding, planters were protected from land redistribution. Now, in a period of industry contraction, continued protection is justified only if large planters are more efficient than small planters. Available evidence, however, shows that the cost per hectare and per unit of sugar output in the Philippines is lower on small farms than larger farms. Consequently, there seems to be little basis to believe that the breakup of sugar lands into small farms would adversely affect the cost of competitiveness of the Philippines in sugar. In particular, there appears to be no rationale for exempting sugarlands, which will be taken out of sugarcane as a result of industry rationalization, from land reform.

"The argument against a general redistribution of sugarlands...is pragmatic: It would create serious instability in the short term and merely compound the already severe problems of the industry....

"It appears that a limited land reform would be practicable in the sugarlands at this stage. Public support to land reform is likely given the fairly widespread concern for the situation of the sugarcane workers in Negros. In fact some degree of land redistribution is already in progress. A few socially conscious planters, some of whom are supported by private voluntary organizations, have entered into land-sharing arrangement with their workers under which the latter have been given permission to use plots of land for food production.

"Moreover, the banks have already foreclosed on an estimated 10,000 hectares in Negros belonging to planters, and government is considering giving these lands to workers' unions. They are also reportedly considering foreclosing on all sugar farms with arrears; this could include as much as 100,000 hectares in Negros alone. According to representatives of government banks, attempts to sell foreclosed properties have generally not been successful. Since the

banks have no experience in running the farms themselves, most of their foreclosed properties are currently unused. Under these circumstances, land redistribution seems to be a practicable option.

The World Bank study recommended that the government consider a land redistribution policy in sugarcane areas based on four elements:

1. Voluntary land sharing arrangements (including share tenancy) should be encouraged.
2. The lands foreclosed by the banks should be sold to sugarcane workers' unions who had previously worked on those lands.
3. On mortgaged sugarlands with arrears but which have not yet been foreclosed, a land-sharing arrangement with workers should be made conditional for any debt rescheduling. (About 80 percent of Negros planters are in arrears for crop loans with the Philippine National Bank and the Royal Traders Bank. They are asking for restructuring of these loans to free some of their funds for crop diversification).
4. Sugarcane lands not planted to any crop at recognized plant densities for three consecutive years should be made subject to land reform. This measure is likely to put pressure on large planters to accelerate crop substitution and diversification.

The study also urges the government to give highest priority in the next few months to land redistribution and a financing plan to back it because of its impact on alleviating poverty.

Sugarcane workers remain one of the country's main poverty groups. The industry's contraction, as well as the mechanization program undertaken by the Marcos government in 1983 to increase efficiency and productivity so the industry could be more competitive in the world market, have worsened the unemployment problem. Mechanization was halted because of financial constraints and its social costs but it has displaced thousands of farm workers.

In 1982, 62.3 percent of Negros families were below the poverty threshold, or earning less than P9,387 a year. This meant three out of five Negros families would be considered poor. According to Roque Hofilena, planning and development coordinator of the Negros Provincial Development Staff, as much as one-half of the province's total income goes to just 5 percent of the highest income earning families in the province.

[3 Sep 86, pp 1, 6, Conclusion]

[Text] Governor Daniel Lacson's vision, as well as that of the forward looking planters, of the economic transformation of Negros Occidental does not align with the World Bank's rather moderate proposal for limited land redistribution.

He plans managed change under the auspices of the private capitalist sector in which the planters are the agents of economic development while they retain most of their land. The concrete expression of this program is the so-called 60-30-10 plan. Under this plan, 60 percent of sugarcane lands is set aside for sugar production, 30 percent for diversification or agri-business and 10 percent for voluntary sharing with farm workers.

The formula derives from the distribution of the sugar crop. It is estimated that distribution of the production for crop-year 1987-1988 would be 950,000 metric tons for domestic use, 2,000,000 metric tons for the US quota, and 150,000 metric tons as reserve sugar, totalling 1.3 million tons. This production level is equivalent to only 60 percent of the industry's capacity.

The Sugar Regulatory Administration has set a production target of only 1.3 million metric tons for crop year 1987-1988. This quota reduces sugar area by as much as 40 percent. A total of 267,000 hectares is devoted to sugarcane production in Negros Occidental. The 40 percent decrease leaves 160,000 hectares to sugarcane and frees 106,700 hectares for other uses.

This quota also affects milling capacity. It reduces use of the 41 sugar mills in the country (14 of which are on Negros Island) by as much as 40 percent. Rationalization plans of the government on the mills calls for the closure of half of the sugar mills. This would render jobless thousands of mill workers.

Of the 160,000 hectares in Negros freed from sugar production, 30 percent, or 80,000 hectares, will be used for crop diversification and agri-business (animal husbandry, for example), and 10 percent, or 26,700 hectares, for voluntary land use schemes.

Under the land use scheme, resident farm workers would have access to 10 percent of the hacienda land in which they may plant crops for food production to augment incomes, in addition to wages earned from normal farm work.

The plan envisages eventual ownership of the 10 percent by the peasant cultivator. How soon, there is no fixed time.

The principle, as explained by Lacson, is that "the sugar workers should first learn how to be a productive farmer before he can be expected to take care of a bigger piece of land."

He envisages that the 30 percent for diversification and agri-business is a potential growth area from which land-based enterprises may develop and create jobs.

The plan is biased against land reform. Said Lacson: "The experience of the land reform program in rice and corn should have driven home the lesson that the majority of our rural families are not yet prepared for a sudden transfer of bigger pieces of land. Besides, it is obvious that the developed land resource of Negros Occidental is not enough really to go around. Even if all

sugarlands were distributed to the landless sugar workers' families, the net result would be a little [words indistinct] hectare per family."

He wants to transform the planter into a modern agri-business entrepreneur who would [word indistinct] the economic recovery effort within the framework of free enterprise.

So far, the unionized workers under the Federation of the Negros Sugar Workers, the largest union of workers in the province, have indicated interest in the 10 percent land use scheme, provided that land title is transferred right away to workers' cooperatives. Landlords resist immediate land transfer.

It is not disputed that land use in homelots of 500 to 1,000 square meters planted to food crops, such as vegetables and fruits, can augment workers' incomes. This has been demonstrated in Gov. Lacson's 120-hectare hacienda Otilla in Talisay, about seven kilometers north of Bacolod City. He is one of few hacenderos who have adopted the land use concept. Their numbers are growing.

Crop diversification looks promising on blueprint, but closer examination shows that the most likely cash crop substitutes--rice and corn--have limited market. The Philippines is nearly sufficient in rice and a shift of acreage to rice would result in surpluses which cannot be exported because our cost of production is not competitive. Surplus rice could depress local rice prices.

Some planters have gone into prawn production which fetches profits of about 400 percent, but capital investments are high for transforming sugar lands into prawn ponds. Socially, it does not help much in relieving unemployment because it is capital, rather than labor, intensive.

In diversification, the biggest problem is financing. Planters are short of cash and the National Government is not yet financially prepared to bail them out with fresh loans. The launching of the emergency employment program of the Aquino government may help alleviate unemployment and poverty but this is a short-term measure.

The vagaries of international capitalism--in which world sugar prices batter the domestic sugar industry--and the depleted national treasury conspire against the planters' enterprise to turn the local economy around.

There is no lack of concern on the part of the planters to alleviate the suffering of the Negros poor. Concerned organizations, such as the Women of Negros, go out of their way to help feed malnourished children or set up welfare distributing projects. They promote cooperatives that encourage crop diversification. Many in these groups are wives of planters.

But the sugar landlord of today is a vastly diminished social force. He is on the run. Deposed President Marcos broke the power of the "sugar bloc" with the declaration of martial law in 1972 and the establishment of the sugar monopoly in trading through the Nasutra (National Sugar Trading Corporation)

in 1977-85, and the Philsucocom (Philippine Sugar Commission) in 1977-85. The latter dictated sugar policy.

The suspension of the Congress and electoral [word indistinct] during the martial law years deprived the landlords of a power base through which they protected and promoted the interests of the sugar industry. They had enough power to exclude sugarlands from land reform legislation.

The sugar monopoly squeezed them of cash, sending them to their knees for crop loans. When sugar prices dropped, the economic resources of landlords dwindled and even reduced their capacity to hold the loyalty of farm workers whom they were no longer able to aid with interest free loans.

In a sense, these events led to the disruption of the social structure of Negros and opened the way for realignment of social forces of which landlord was no longer the dominant group.

The fall of the Marcos regime ended strong state intervention in the sugar industry and the noninterventionist nature of the Aquino government has left a vacuum in which interests of the organized peasantry, the mass organizations, some of them sponsored by the Roman Catholic Church, and the landlords are competing for supremacy.

Initiatives from the landlords are emerging from this disequilibrium. Whether they will succeed in transforming the provincial economy into a free enterprise agro-economic society is hard to tell. Events are moving rapidly to unravel the old social order. So far, only palliatives are being delivered. But can the Negros poor wait for the solutions of the planters to trickle down?

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PHILIPPINES

WEEKLY ON POLITICAL BACKGROUND OF MISUARI

HK090253 Quezon City NEW DAY in English 8 Sep 86 p 2

[By Alex S. Villanueva]

[Text] Nur Stet Misuari, the leader of the Moro National Liberation Front (MNLF), has gone far for a son of a fisherman in Tapul, Sulu.

When Misuari came to Jolo in 1970 after finishing his college at the University of the Philippines in Diliman, Quezon City, he taught at an obscure school in Jolo, the Philippine Muslim College, where dropouts at the Notre Dame of Jolo College enrolled.

Misuari used to go to the office of the SULU STAR, the lone weekly newspaper of Sulu of which I was the editor. My assistant was Nelly Sindayen, now the Philippine correspondent of TIME magazine.

Nur, as his friends call him, was planning to run as a delegate to the Constitutional Convention in 1971. Not having any background in politics, he was no threat to the traditional politicians such as the Abubakars, the Annis and Sangkulas. Nur was not discouraged. He formed a young group from the students of Philippine Community College, the Jolo Community College, and the Notre Dame of Jolo College and merged them into an association called Paghambuuk which means "untied" in Tausug.

When martial law was declared the members of the Paghambuuk were put in jail. Those who were not put in jail joined Misuari in the hills.

During the election campaign, the group toured the seven towns of the Jolo mainland and the island towns during the election campaign. In some of the election sorties, I was with the group and I had to pay the price for being seen with Misuari: when martial law was declared, I was in and out of the military stockades eight times. As [words indistinct] lost in the Concon election in Sulu in 1971, landing fifth, losing to the fourth placer only by a few moes. Sulu was entitled to three seats. But Misuari made a deep impression on the Sulu politicians because [word indistinct] in Jolo, Sulu's capital town, placing number one among the eight candidates.

Paghambuuk filed a protest against election frauds, prompting the Comelec [Commission on Elections] chairman Jaime Ferrer to conduct a public

investigation on the complaint. Ferrer stayed in Jolo for three days and conducted public hearings.

In those hearings, the members of the Paghambuuk testified that there was rampant cheating in some island towns.

A Paghambuuk member, Zenaida Hamada, testified that the voters were more than those in the voters list. Hamada was a watcher of Misuari's political party.

During the testimony of Hamada, the members of the Paghambuuk openly cried and pleaded with her to stop testifying because they feared for her life. But Hamada went on and Ferrer made a drastic move by annulling the votes of the third place winner. The third slot was given to lawyer Benjamin Abubakar, former Sulu governor.

After the election, Misuari was hardly seen in Jolo town anymore. But many parents had reported their sons leaving their homes to join the training grounds of Misuari somewhere in the hinterlands of Talipao and Panamao towns.

Most of the political leaders of Misuari's Paghambuuk group were students and graduates of the University of the Philippines. Notable among them were the Tan Sisters--Desdemona and Leonila, daughters of a rich Jolo businessman, the late Tuchay Tan, a former provincial board member.

Desdemona, who has a master's degree in social work, later on married Misuari, while Leonila is reportedly the treasurer of the MNLF. Nijam Abubakar, the son of Jolo Mayor Aminkadra Abubakar, became one of the trusted sidekicks of Misuari. Abubakar reportedly was active in numerous fire-fights with the military.

Dr Farouk Hussein, a trusted man of Misuari, was formerly the municipal health officer of Jolo, while Dr Basil Jajurie, was a former Kagawad [official] of Jolo, and one of Jolo's best known physicians.

Since Desdemona's mother is an Abubakar, Misuari could claim affinity to the big Abubakar clan in Jolo which also includes a big Ututalum clan. That is why in late 1973 before the 7 February burning of Jolo in 1974, only Mayor Abubakar could go out of Jolo to negotiate with the MNLF and dissuade it from attacking Jolo.

In 1973, out of the 16 towns of Sulu, only Jolo town was not under the control of the MNLF. The MNLF eventually captured Jolo for a day on 8 February 1974.

Misuari was able to win in Jolo during the Concon election in 1971 because of the influence of the family of his wife and the Abubakars. Another factor was the backing of the student groups from the three colleges in Jolo.

While the MNLF made a name for itself internationally and Misuari became an international figure, the property damage and the loss of thousands of lives in Mindanao the rebellion has caused cannot be replaced. Even today, thousands of former Jolo residents have refused to go back home because of

uncertainties in Jolo. Their primary concern is that fighting can always erupt again.

Many Joloanos now live in Negros Oriental and they refuse to go back. Many of them hope and pray that President Aquino can solve the conflict. They are banking on Mrs Aquino's courage to meet with Misuari in Jolo and solve the problem once and for all.

Many Joloanos recall the times when deposed President Marcos had gone to Jolo twice incognito dressed as an ordinary soldier. They were asking then why there was a need for Marcos to go there incognito.

For me, a long-time Jolo resident, Jolo was the safest place to live among the places in the Philippines. We hope that President Aquino will also have that feeling and sentiment after her talk with Misuari.

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PHILIPPINES

MALAYA EDITORIAL LAUDS AQUINO-MISUARI MEETING

HK081205 Quezon City ANG PAHAYAGANG MALAYA in English 8 Sep 86 p 4

[Editorial: "A Giant Leap for Peace"]

[Text] Whatever apprehensions were there before the meet, it has now emerged with telling clarity that a giant leap has been scored for the cause of peace in Mindanao. Those who have entertained the healthiest skepticisms about the talk, the security problem it posed with the President's sally to Jolo, the violation of protocol or niceties since Nur Misuari is not a chief of state, these were but some of the major hurdles the historic meet had to undergo. That it went through without any hitch is a tribute to the sincere desire of both parties in their quest for peace and thus offers the biggest hope that more steps in the future will be taken and will be forthcoming to complete the journey so auspiciously started. Confucius observes that the journey of a thousand miles begins with its first step. That momentous first step has been taken.

The "continued cessation of hostilities," as contained in the joint statement, is an excellent basis to govern the conduct of future negotiations. Certainly, it is the continued hostilities that have exacerbated the situation in Mindanao and heightened the bitterness between the warring factions, ironically between brother Filipinos. As President Corazon Aquino put it, "Mindanao belongs to all, be they Muslim or Christian, who have expended sweat, tears, and blood to make it a home for Filipinos." And Misuari echoed her sentiments with the words: "The message is peace."

The President's trip is a success in setting the stage for future talks. A lot will depend on implementation of the agreement already forged by the two leaders, who have named the officials from both sides who shall carry the brunt of the negotiations from here on. If the sincerity and good faith shown at that historic meet will mark the conduct of the negotiations, there is no doubt that the elusive peace will be achieved.

The chance of a lifetime is here and waiting for those who like to see peace reigning at last in the troubled South. If they are not aware of it yet, the negotiators stand at the threshold of history; they either will enter it or remain as outsiders looking in.

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PHILIPPINES

SISON HITS U.S. BASES BEFORE JAPANESE AUDIENCE

HK021536 Manila THE MANILA EVENING POST in English 1 Sep 86 p 1

[Excerpt] Jose Ma. Sison, alleged leader of the Communist Party of the Philippines and Partido ng Bayan founder, has assailed anew the continued presence of U.S. bases and foreign domination of the country's economy and vital industries.

Addressing 500 Japanese "Peace Boat" participants and 300 Filipino guests, during the reception on board the "Coral Princess" at the South Harbor's Pier 15, Sison said the Philippines and Japan belong to the same region, and face the same problem on the preservation of peace and the existence of U.S. bases with nuclear weapons.

Sison said the Japanese and Filipinos share the same objectives of seeking and banning nuclear weapons and vessels and creating a nuclear free zone in the Asian and Pacific region.

He said "the noble and lofty purposes of the 'Peace Boat' are similar to the primary aims of Bayan (Bagong Alyansang Makabayan) [New People's Alliance]--to promote peace, understanding, and goodwill, and fight for solidarity, justice, freedom, and democracy."

Sison urged Filipinos and Japanese to unite and work for peace by fighting U.S. imperialism and domination.

He said "our peoples should work for closer links to fight for peace in the whole world."

Other cause-oriented groups attended the reception to exchange views and with their Japanese counterparts. These groups included Bayan, the National Alliance for Justice, Freedom, and Democracy, and Nuclear-Free Philippines Movement, and the Anti-Bases Coalition (ABC).

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PHILIPPINES

NPA MEMBER TELLS OF SETBACK AFTER 'REVOLUTION'

HK081229 Manila PHILIPPINE DAILY INQUIRER in English 6 Sep 86 p 14

[Text] Camp Evangelista, Cagayan de Oro City--A captured NPA member disclosed that the rebel movement in the Agusan Provinces and Surigao del Norte is still reorganizing after many of its members deserted or surrendered to government after the people's power revolution last February.

The rebel leader identified as Narcisco Albacite alias "Commander Mike", also said the February revolution that installed President Corazon Aquino was a great setback for the rebel movement.

The NPA has practically lost face among the people in these areas, making it even difficult for the movement to recruit new members, Albacite said.

Albacite was captured during an encounter Aug. 2 in Tagbina, Surigao del Sur with government troopers from the 28th Infantry Battalion.

Albacite, who was wounded during the encounter, is being treated at the army station hospital in Camp Evangelista upon order of Brig. Gen. Mariano Adalen, RUC [Regional Unified Command] 10 commander.

According to the captured rebel leader, he does not intend to go back to the rebel movement after his hospitalization because he would be a dead man if he returns. He also said there are more opportunities under present leadership.

Albacite said he did not expect to be brought to a hospital for treatment by the government troopers, adding that many of the teachings of the rebel movement are all fabricated.

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CSO: 4200/1415

PHILIPPINES

NPA GUERRILLAS ATTACK TOWN HALL IN NORTH

HK011440 Hong Kong AFP in English 1428 GMT 1 Sep 86

[Text] Manila, Sept 1 (AFP)--Three people were killed when communist guerrillas attacked a town hall and a house occupied by the military in the northern Philippines, the official PHILIPPINE NEWS AGENCY (PNA) reported here Monday.

Twenty New People's Army (NPA) guerrillas raided a military "safe house" or hideout in Atimonan Town Saturday but were driven. [sentence as received]

Two of the attackers and a government militiaman were killed in the gunfight in the center of the town, 120 kilometers (72 miles) south of the capital in Quezon Province, PNA added.

In Mindoro Island south of Manila, some 30 NPA rebels seized nine firearms, briefly abducted three policemen and commandeered a jeep during a raid Friday on Calinton Town, the agency said.

The insurgents met no resistance, and freed the policemen when they were far away from the town, it added.

Military spokesmen here could not immediately confirm the two reports.

The NPA is the 16,500-strong armed wing of [words indistinct] Communist Party of the Philippines. Both belong to the underground coalition National Democratic Front now holding peace talks with the government of President Corazon Aquino.

The Armed Forces Monday denied reports that government troops had torched 12 houses inside an experimental ceasefire zone in the south Philippines.

Retreating NPA men who ambushed an army patrol Wednesday set fire to the houses, PNA quoted deputy Armed Forces Chief for Logistics Brigadier General Antonio Lukman as saying.

An official panel monitoring the two-week-old ceasefire reported after an inspection of the village near San Vicente Town Saturday that residents had told them soldiers burned their houses and executed three farmers.

The PNA report made no mention of the alleged casualties.

PHILIPPINES

COLUMNIST LAMENTS CPP'S 'UNCOMPROMISING POSITION'

HK021534 Manila MANILA BULLETIN in English 2 Sep 86 p 6

[Column by Orlando F. Aquino: "Back to Square One?"]

[Excerpt] It is most unfortunate that the Communist Party of the Philippines (CPP) has chosen to take a hard, uncompromising position in virtually rejecting attempts by the Aquino administration for a ceasefire so that peace talks can begin between the government and the Marxist rebels.

That is the inevitable impression given by the CPP announcement that it does not recognize the truce forged by military authorities and rebels in the Davao provinces--and then adding that "the NPA in Mindanao as in other parts of the country are under orders to counter all attacks by the AFP [Armed Forces of the Philippines] and defend the people."

Stripped of all the communist rhetorics and demagoguery, one can only conclude that the CPP is trying to pressure the government into giving in to its terms for the start of ceasefire negotiations ostensibly from a position of strength--at least that is the impression it wants to convey to the people.

To our mind, the CPP is testing how far the government is willing to compromise to obtain a ceasefire although one is made to believe from the published statement that the CPP is not giving any concession. And if any concession is to be given it should come from the government.

The optimistic view, of course, is that the CPP is still open to bargaining. But in our book, it seems that everything is back to square one because goodwill and good faith--basic elements in ceasefire talks--are missing.

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CSO: 4200/1415

PHILIPPINES

PAPER URGES LISTENING TO ALL SIDES IN MINDANAO

HK081111 Manila MANILA BULLETIN in English 6 Sep 86 p 6

[Editorial: "Mindanao's Other Voices"]

[Text] Neither the administration nor the Nur Misuari faction of the MNLF should forget that there are many powerful groups and voices in Mindanao. While it is the time of Misuari to be heard, the others must also be heard and their sentiments taken into account. That would be abiding by the democratic spirit.

What destroyed the peace early in the last decade was the lack of communication between the government and many of the Muslims as well as among the Muslims themselves. The false impression created by the lack of communication was that the government was fighting the Muslims on religious grounds, which was far from the truth. This mis-impression was dashed but only after thousands of lives were lost.

"Disinformation" may rear its ugly head and sow destruction in the South. One of the ways to prevent its occurrence is to give a chance to each of the disparate groups to air its side. If that is done, the picture that is likely to emerge is that the Filipinos in the South are not as radical as they are sometimes portrayed to be.

If it were true that some provinces in the South are dominated by extremist elements, those provinces would not have participated in past elections and their leaders would not have participated in the government. Those provinces would have been constantly in turmoil.

Except for a few sporadic incidents, peace reigns in the southern islands and we think that the arrival of Nur Misuari on the invitation of the administration will not put an end to peace.

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CSO: 4200/1415

PHILIPPINES

TATAD ON MILITARY FEARS OVER TALKS

HK031412 Quezon City BUSINESS DAY in English 3 Sep 86 p 4

["Here and Now" column by Francisco S. Tatad: "The President as Negotiator"]

[Text] The military is apprehensive that some "naifs" in the Cabinet, hopefully not the President herself, are incapable of appreciating the implications of the National Democratic Front demand for legal recognition as a precondition for the ceasefire negotiations. They seem ready to accede to anything just to get on with the talks. This touches a raw national security nerve, and could create a flashpoint.

The CPP [Communist Party of the Philippines]/NPA/NDF [National Democratic Front] are now in a non-loss position, whatever happens to the talks. They did not seek this meeting. This was purely Mrs. Aquino's inspired initiative. She seemed convinced that even without a clear negotiating strategy or position, she could set down with the CPP/NPA/NDF and get them to give up their revolutionary movement.

Presidential naivete has seeped down to the lower echelons, at great cost to the government. For instance, using taxpayers' money, government TV has produced more propaganda for the communist-led insurgency than for itself. In addition to government TV, which need not be classified as an NDF organ, the NDF has been allowed to run unhampered a very active press office, which regularly floods the media with more information than one eve gets from the combination of Minister Teddy Boy Locsin, spokesperson Rene Saguisay and deputy spokesperson Alice Villadolid.

Now, the NDF gets infinitely better propaganda mileage and has been able to project itself as better organized and more coherent than Mrs. Aquino's government. Though its chief leaders may not be as popular as Mrs. Aquino herself, its negotiators Satur Ocampo, Tony Zumel and Bobby Malay are likely to be quoted by the press and hounded by autograph seekers instead of the government's Ramon Mitra and Teofisto Guingona.

Thanks to Mrs. Aquino's charismatic and unplanned initiative, they have the absolute upper hand in the propaganda war against the government. They probably deserve to have the edge, having worked so hard at it for years. But they have the edge, not only because they have developed their skills over

the years, but also because the government seems to have so many babe-in-the-woods notions about politics.

In Marcos's time, the government negotiated a settlement with PKP (Partido Komunista ng Philipinas), the old communist party, in which the latter laid down its arms in order to help Marcos implement land reform. Eventually, Marcos described the settlement as a surrender, and critics of the PKP accused it of having capitulated. There is no danger of anything like that happening to the CPP/NPA/NDF.

If any capitulation is being packaged, it seems to be the capitulation of the Aquino government. And the damning thing is that Mrs. Aquino seems to have decided to take a beauty sleep in the middle of it, leaving it in the hands of some of her human rights lawyers to fend off objections from the military as obstructionism from the right. One hopes she will wake up in time and seize the initiative.

But this is not all. On the Moro National Liberation Front, Malacanang has announced that Mrs. Aquino would soon meet with Nur Misuari, MNLF chairman. The planned venue is not the Malacanang guesthouse where she holds office and normally receives dignitaries, but somewhere in Jolo. This would be Misuari's first time to come home since the outbreak of hostilities in Mindanao in the seventies had compelled him to establish his headquarters in the Middle East. For Mrs. Aquino, this would be--in the words of BULLETIN columnist Joe Guevara--her "third official foreign visit."

The announcement came after a meeting between Misuari and the President's brother-in-law, Agapito "Butz" Aquino, in Damascus. What the two discussed there, and what Mrs. Aquino and the MNLF chief will later discuss in Jolo are well-guarded state secrets. So well-guarded in fact that Malacanang decided to ban the reporter of the INQUIRER for breaking the embargo on the announcement of Jolo as the meeting place. While it is safe to speculate that the talks will focus on the MNLF question, it remains a mystery what Mrs. Aquino has already committed to Misuari through Butz, and what formal agreement, if any, she is prepared to sign when they meet.

The need for a just settlement of the "MNLF problem" demands an open rather than a secret agreement. But a secret meeting in Jolo invites all sorts of speculation. Everything becomes suspect if the meeting is held without any public indication of what was discussed in Damascus and what the government can not legally and formally concede at the meeting.

There are other questions. If the President's purpose in going to Jolo is to give her seal of approval to whatever accord had been reached in Damascus, then Misuari should be received in Malacanang, not elsewhere. If, on the other hand, the purpose is simply to continue talks started in Damascus, then this is another person's job, not the President's. One can do with the office of brother-in-law as one pleases. But one needs to be a little more careful about the Office of the President.

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CSO: 4200/1415

PHILIPPINES

COLUMNIST ON HANDLING OF CEASEFIRE TALKS

HK031531 Manila MANILA BULLETIN in English 3 Sep 86 p 6

[Column by Melchor P. Aquino: "Ceasefire Problems"]

[Text] The continuing failure of the government to impress the fact upon the general public that there are no ceasefire talks in progress between government and rebel negotiators is sowing confusion in certain sections of the news media, and compounding the psychological problems facing the state.

Certain news reports tend to create the impression that there is an impasse in negotiations between the state and the communist rebels. In point of fact, there have never been any ceasefire talks.

Certain problems have to be resolved between the government and the communist rebels before ceasefire talks could formally start. As pointed out by our distinguished colleague, Mr. Jesus Bigornia, the communist rebels are demanding 1) issuance to their negotiators of transferable safe conduct passes, with stipulation of untrammelled movement anywhere in the country, 2) the right to designate areas "under the control of the National Democratic Front (NDF)" as supplementary sites for negotiations, Manila being accepted as the principal venue for talks, and 3) the right to fly the red communist flag alongside that of the republic whenever and wherever negotiations are held.

The rebels, according to Mr. Bigornia, insist on the registration of all agreements and under-takings reached in the talks, with United Nations.

It is extremely doubtful if the New Armed Forces of the Philippines [NAFP] would ever consider issuing transferable safe conduct passes to the communist negotiators. In fact, the passes that have been issued by General Fidel Ramos, NAFP chief of staff, are personal to Messrs. Antonio Zumel and Satur Ocampo. There absolutely is no precedent, in law and practice, for the issuance of the type of the safe conduct passes demanded by the communist rebels. Transferable passes would be prolific instruments of mischief and evil.

Pending the conclusion of a peace settlement, the government would hopelessly be in error to ensure to the communist negotiators untrammelled movement

within the country. Cabinet ministers who talk about such a concession to the communist negotiators are ignorant of, or oblivious to, the requirements of law and practice.

The government should make short shift of second and third demands of the rebels. The only venue for the talks should be Manila--of any other city or place outside the area or areas of hostilities. In terms of propaganda and psychological warfare, holding talks in supplementary areas under communist control would be, for the state, a horrendous giveaway. Flying the red communist flag alongside that of the republic would be an unspeakable affront to national dignity and honor. Equating the communist banner with the national flag would be a legal and moral monstrosity too vast for words.

We agree with Mr. Bigornia that the registration of agreements and undertakings reached in the negotiations with the United Nations, would unduly accord belligerent status to the New People's Army (NPA).

The biggest problem facing the government with respect to ceasefire negotiations is that the cabinet has not defined any terms of reference for the government negotiators. One grievously underestimates the intelligence of the communists who thinks that he can negotiate with them simply on the ad hoc basis. The communist know their trade, they are at home in their craft, and they do their homework.

If there are any such terms of reference, they should be made know to the people.

But how can the cabinet define guidelines and objectives for the state negotiators when there apparently is no agreement among its members as to how to seek a solution to communist insurgency? Opposing counsels of accommodation, appeasement, and resistance do not make for common approaches and goals.

In fine, whose counsel should prevail, that of Defense Minister Juan Ponce Enrile and General Ramos or that of such cabinet ministers as would supinely yield to communist demands for the sake of achieving a modus vivendi with the rebels?

The national leadership could well lose the battle against communist insurgency through inept handling of the ceasefire talks.

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CSO: 4200/1415

PHILIPPINES

ARMY OFFICIAL ASSURES CAPABILITY OF MILITARY

HK030944 Quezon City BUSINESS DAY in English 3 Sep 86 p 22

[Text] Armed Forces deputy chief Maj Gen Salvador M. Mison said yesterday the military can secure every inch of territory in the country "if we want to."

Mison said the military remains on top of the insurgency situation despite recent ambushes staged by the New People's Army (NPA) in some parts of the country.

The latest was in San Vicente, Davao del Norte, where 15 Army Rangers were killed and 15 others wounded.

He said the military is only holding its firepower in view of President Corason C. Aquino's current peace talks with the rebels.

But, the military is always prepared to deal with any eventuality that may arise, Mison said.

He admitted that people are apprehensive about the ongoing peace talks between the government and the National Democratic Front (NDF), the political arm of the Communist Party of the Philippines (CPP).

"This is because people really do not know the outcome of the dialog," Mison said.

While others hoped that the dialog will end the bloody 17-year insurgency, many are unsure how the conflict will end, he said.

"If the communists are really that good as they claimed, they should not employ terrorism," Mison said.

Unfortunately, the NPA rebels have resorted to all kinds of violence to intimidate the people, he said.

He said communist liquidation squads are roaming the countryside, killing not only soldiers or policemen but also innocent civilians who refused to cooperate with them.

He said communist killings continue unabated every day in the hinterlands but many of the incidents are not reported in the media.

A report received by his office yesterday said a policeman of Lopez, Quezon, Monday was assassinated by a four-man NPA Sparrow unit in barangay Talolong, Poblacion, Lopez, Quezon. Killed was P/Cpl Florencio Espejo.

Espejo's firearms, a point 45 caliber pistol and M-16 rifle, were taken by the rebels.

Last Saturday, four members of a family were aroused from their sleep and then shot to death by NPA rebels in barangay Sinawilan, Matanao, Davao del Sur.

The victims were identified as Arnold Dipalobos, 22; Silfredo Dipalobos, 27; Roland Dipalobos, 21; and Rodolfo de los Santos, 28.

The military also said heavily armed NPA rebels burned last Thursday several residential houses in sitio Banahaw, barangay Central Mati, Davao Oriental.

Meanwhile, the local military command has warned against a possible attack by communist rebels in Metro Cebu either to rescue their comrades holed up in Balamban, Cebu.

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CSO: 4200/1415

PHILIPPINES

SUPREME COURT WARNS MILITARY ON RIGHTS, ABUSES

HK081225 Manila MANILA BULLETIN in English 6 Sep 86 pp 1, 12

[By R.C. Panaligan]

[Text] The Supreme Court warned the military yesterday against human rights violations in its fight against rebellion and insurgency.

In a decision acquitting a suspected member of the New People's Army (NPA), the Supreme Court said that utter disregard of constitutional rights and protections "will only fan the increase of subversive activities instead of containing and suppressing them."

Acquitted on the ground of reasonable doubt was Ruben T. Burgos, a farmer of Tiguman, Digos, Davao del Sur, who was arrested by the military on 13 May 1982.

Based on the evidence presented by the military and the police and the testimony of a lone witness, Burgos was convicted by the Davao del Sur Regional Trial Court of illegal possession of firearms in the furtherance of subversion. Burgos was sentenced to a prison term ranging from 20 years to life. He elevated his case to the Supreme Court.

In a decision written by Justice Hugo Gutierrez Jr., the Supreme Court found that Burgos was arrested without a warrant of arrest and that a firearm and alleged subversive materials were confiscated without a warrant. It also found that Burgos was not assisted by a lawyer during his custodial investigation by the military and the police.

With the extrajudicial confession, the firearms, and the alleged subversive documents declared in admissible in evidence against Burgos, the only proof to sustain the charge was the testimony of Cesar Masamlok, the lone witness. Masamlok's testimony prompted the military to arrest Burgos. But the Supreme Court found that Masamlok's testimony was uncorroborated and "considering that he surrendered to the military, certainly his fate depended on how eagerly the he cooperated with the authorities."

Masamlok was considered an interested witness by the Supreme Court.

The Supreme Court said: "Violations of human rights do not help in overcoming a rebellion. A cavalier attitude toward constitutional liberties and protections will only fan the increase of subversive activities instead of containing and suppressing them."

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CSO: 4200/1413

PHILIPPINES

BICOL MILITARY ACCUSED OF HUMAN RIGHTS VIOLATIONS

HK090641 Manila THE MANILA JOURNAL in English 6 Sep 86 p 8

[Text] A human rights group yesterday accused the military anew of human rights violations as it reported 76 cases in Bicol including salvaging and torture, strafing and looting.

The incidents took place in the period of March to July of this year, the Task Force Detainees [TFD] said.

Two persons listed as killed in a strafing incident were identified as Delia Bacoloy, 46, and Arthur Aloquin, 12.

The strafing of Enriquito Aloquin's house in Pawican, the TFD report said, was done by a combined force of police and militiamen, two of whom were identified as Patrolmen Banaag and Cabisilla.

Six days later, on 16 July, the residence and store of Francisco Albarina in Sitio Busay, San Isidro, Palanas, Masbate was razed to the ground allegedly by constabulary and Integrated National Police elements. The arsonists were not identified since they were no nameplates [as published], the TFD said.

Both strafing attacks were due to suspicions that the houses were being used as New People's Army headquarters, the TFD said.

Other victims of strafings were brothers Jose, 51, and Gerardo, 36, and Antonio, 29, Macadonia, all of Gogo, Dugcal, Camaligan, Camarines Sur. TFD reported that the alleged perpetrators, were CIC Antonio Asico of the PC [Philippine Constabulary, his brother and cousin identified only as Noel and Melchor respectively. Asico was allegedly drunk when he shot up, with an M-16 rifle, the house of the Macadonias. The victims suffered serious injuries.

Torture victims were also reported. A victim identified as Eusebio Cache, 23, panner, farmer, of Sto. Domingo, Vinzon, Camarines Norte, who positively identified his tormentor as Nemesio Tribuna of the Philippine Army PA [Expansion unknown], claimed he was heavily tortured with fist blows and kicks when he failed to present his Residence Certificate when apprehended by the suspect who was allegedly drunk. The victim added that he was hogtied and submerged in the mudpool nearby while being interrogated by the PA trooper and

his companions who were members of the Scout Rangers based in a military detachment at Mabilo II.

Dioscoro Llanilo, 48 and Diego Altabano, 40, both farmers, were also heavily tortured with fist blows allegedly by Sgt. Prudencio, Sgt. Pongo, and Sgt. Vargas of the PC based at the 257th PC company at Barangay Esperanza, Pilar Sorsogon.

Llanilao narrated that he was hit with fist blows at the back and on his chest and that one of the alleged perpetrators shoved a fragmentation grenade into his mouth causing lacerations on his lips.

Another torture victim was identified as Laduvise Fernando, 16, farmer, of Maypangi, Castilla, Sorsogon, who was arrested and hogtied allegedly by the same troopers who tortured Llanilao and Altanbao on 22 August.

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CSO: 4200/1413

PHILIPPINES

OFFICERS GROUP DENOUNCES MILITARY DISCRIMINATION

HK021522 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 2 Sep 86 p 3

[Article by Proculo Maslog]

[Text] Cagayan de Oro City--A newly-formed organization of military officers called Integrees and Reserve Officers Group (IROG) yesterday denounced discriminations in the military resulting in demoralization among some members of the officers' corps.

An officer of the newly-formed group said the fraternity was organized to protect the interests of its 200 members, who claimed being at the losing end in terms of promotions and other benefits in the armed forces.

The source, who requested anonymity for fear of being persecuted, claimed members of the Reform the Armed Forces Movement (RAM), who are mostly graduates of the Philippine Military Academy [PMA], get promoted faster and corner most of the choice assignments.

"The PMA graduates are lording it over in the officers corps, and cornering all choice positions while the crumbs are assigned to non-regular officers," their spokesman said.

For as long as the AFP [Armed Forces of the Philippines] cannot correct discriminations within the organization, we can expect factionalism to continue within its ranks," the spokesman said.

The group was formed in this city two weeks ago following the adoption of its constitution and by-laws during a meeting attended by more than 200 charter members coming from the different major commands of the AFP.

The new organization is particularly bitter about the implementation of Presidential Decree 1638 which establishes a new system of retrenchment and separation for AFP personnel, which they claimed is grossly unfair to most of IROG members, the spokesman said.

He was referring to provisions under Section 10 of the decree which calls for the separation of all commissioned officers from captain to lieutenant colonel unless they get promoted over a prescribed period of time.

If we go by this particular provision, most of the IROC members will be at the losing end, since many of them have been in their present ranks longer than those specified [in the] timetable for promotions to the next higher rank," the spokesman said.

IROC is the third fraternal organization in the AFP. The two others are the RAM, and the Guardians, which was also organized in this city.

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CSO: 4200/1415

PHILIPPINES

MILITARY SAYS NPA SET UP DAVAO DEL NORTE AMBUSH

HK021458 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 2 Sep 86 pp 1, 2

[Text] Brig. Gen. Antonio Lukban, acting deputy chief of staff for logistics, yesterday said the ambush of government troopers in San Vicente, Davao del Norte was set up by the NPAs.

In his report to Gen. Fidel V. Ramos, AFP [Armed Forces of the Philippines] chief of staff, Lukban said based on his ocular inspection and interviews at the ambush site, the incident was a well-planned trap which extensively used land mines planted along the route to be taken by the soldiers.

In that incident, which happened in the ceasefire area concluded recently between CPP [Communist Party of the Philippines]-NPA representatives and the local officials of Davao del Norte, 15 soldiers were killed and another five more were wounded, mostly from shrapnels and explosions triggered by the claymore mines.

Lukban said before the ambush, there were about 200 NPAs who were strategically deployed in several huts of families living along barangay Sta. Josefa, San Vicente. The mines, it was gathered, were also placed in 15 nipa huts where the soldiers would likely seek cover in the event of an ambush.

He said the members of the 1st Scout Rangers regiment were badly outnumbered and taken by surprise but retaliated, causing the NPA to withdraw under cover of darkness.

Much of the bodies of the slain soldiers, he said, were badly mangled and peppered with shrapnels of the claymore mines.

Meanwhile, 30 heavily armed NPAs, led by Commanders Ka [Comrade] Warren and Ka Nestor, attacked the municipal hall and the INP [Integrated National Police] police station of Calintaan, in Occidental Mindoro, Saturday and kidnapped three policemen. The policemen, identified as Pfc. Bautista and Carlitos and Patrolman Perigrino were used as human shield in their retreat but were later released outside of the town proper.

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CSO: 4200/1415

PHILIPPINES

PAPER ON INSURGENCY'S IMPEDIMENT TO DEMOCRACY

HK021523 Manila MANILA BULLETIN in English 2 Sep 86 p 6

[Editorial: "The Democratic Attitude"]

[Text] Democracy will remain flawed as long as the rebellion is of a significant magnitude, for it hinders elections and compels people to take the law into their hands.

The natural reaction of those who would like to see the reflowering of democracy is to hope and work for the end of the conflict.

In a few short months, we have seen how the administration has prepared the way for an early settlement of the conflict. It has been releasing political prisoners and minimizing rights violations by military personnel.

It has not obstructed the access of suspected communists to the mass media and has allowed them to travel abroad.

It has allowed the peaceful political activity of people who could not move freely during the previous administration. And now the administration is well on the way to formal talks with rebel leaders on a ceasefire.

The general approach taken by the new administration should be compared with that adopted by its predecessor. The old administration went mercilessly after the rebels but succeeded only in enlarging the mass base of the rebellion.

The new administration acts more like a father of the family. And while it preserves its fighting arm, it does not close the door to reconciliation.

The administration's attitude toward the rebellion is typically democratic. Without waiving the right of the state to act in its defense, the democratic attitude is tolerant of political differences. This may be seen in the guarantees to the civil and political rights in the Constitution. People should get used to those rights and freedoms.

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CSO: 4200/1415

PHILIPPINES

MILITARY DENIES BREAKING DAVAO DEL NORTE CEASEFIRE

HK031014 Manila THE MANILA CHRONICLE in English 3 Sep 86 pp 1, 6

[Article by Lito Mangaser]

[Text] Three senior military officials broke their silence yesterday on accusations that military troops had violated the cease-fire agreement in Davao del Norte, saying that the cease-fire agreement forged August 14 between local government officials and New People's Army commanders in that province was not officially in force yet.

Their statements came three days after Prospero Amatong, Davao del Norte officer-in-charge and a signatory to the August 14 agreement, had accused the military of fielding two companies of Scout Rangers which were consequently ambushed, Aug. 27, in a ceasefire zone resulting in the death of at least 15 government troops.

Although some military officers had expressed their disgust over Amatong's accusation, they had not allow the media to quote them until yesterday.

Brig. Gen. Romeo Recina, senior commander in the region and the main target of the charge, criticized yesterday the Aug. 14 agreement for violating the policies laid down by President Aquino on cease-fire negotiations.

Quoting the President, Recina said that "there will be no cease-fire with return of the troops to the barracks that will leave the insurgents a free zone within which to operate with impunity."

Earlier, Amatong had said the agreement provided that "there would be no patrols whatsoever and the military must stay in the barracks."

Brig. Gen. Antonio Lukban, AFP [Armed Forces of the Philippines] logistics officer sent by AFP chief Fidel V. Ramos to the ambush site, told the CHRONICLE Monday that the western portion of Davao del Norte which was supposed to be the cease-fire zone, was virtually being run by the communist rebels since the Aug. 14 agreement.

He said that the rebels could just be taking advantage of the informal cease-fire to effectively control the area.

Brig. Gen. Luis San Andres, AFP civil relations service chief, criticized Amatong for allowing himself to be used by the communist rebels.

"It appears by his (Amatong's) pronouncements and actuation that he is the office in charge of the shadow government and the office in charge of the present government in Davao del Norte," he said.

Major Gen. Eduardo Ermita, AFP deputy chief of staff, said that the soldiers in Davao del Norte and the rest of the country would continue to patrol their areas. He said there was no way the military troops would be kept to their barracks.

"The Davao incident," he said, "should serve as a lesson for the military not to lower its guard."

Other military officers who had been interviewed by the CHRONICLE since the start of the cease-fire negotiations in June had expressed disappointment over the exclusion of the military from the cease-fire and peace negotiations, a condition which the communist rebels had demanded before they agreed to sit down with government negotiators.

The officers felt that it was unfair to exclude the military because it was the counterpart of the New People's Army in the negotiations.

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CSO: 4200/1415

PHILIPPINES

ANALYSIS NOTES 'FAST-RISING' LEVEL OF FRUSTRATION

HK011448 Manila THE MANILA CHRONICLE in English 1 Sep 86 pp 1, 6

["Philippine News and Features' Analysis" by Luis V. Teodoro: "Frustrations Erase Euphoria"]

[Text] Manila--Six months after the Aquino government came to power, frustration levels are fast rising among Filipinos who thought the overthrow of Ferdinand Marcos last February would usher in a new era.

Although the Aquino government has restored civil liberties, released political prisoners and appointed a number of liberal ministers, few Filipinos today would be as hopeful as they were last February that the problems of the country could still be adequately addressed.

The political instability Marcos left behind is still very much in evidence. The Aquino government is nowhere near the kind of stability that could inspire the confidence of even its most ardent well-wishers. An event normally routine for other governments--presidential state visits to the Philippines' ASEAN neighbors and to the United States--became the occasion for debate in government circles and has put the country on virtual war-footing, with its 250,000-man armed forces on red alert.

There are fears that Mrs Aquino's absence from the country could tempt the so-called Marcos "loyalists" to try another grab for power similar to the July 6 Manila Hotel incident. In addition, even Mrs Aquino's liberal government ministers are privately leery of the loyalties of the anti-communist officers' corps, some of whom, they fear, could launch a coup attempt with the knowledge if not approval of Defense Minister Juan Ponce Enrile.

These officers have not hidden their disgruntlement over what they insist is the Aquino government's "kid-glove" policy towards the 15-year guerrilla war being waged by the communist-led New People's Army.

Mrs Aquino's assurance that the populace has no reason to fear that a coup is forthcoming did little to halt coup jitters in Manila. The persistence of coup rumors, and their embellishment by those who pass them on, of course suggest a perception that the Aquino government is unstable.

The main threats to its stability, however, have come from within it: from Enrile's supposed disaffection with the government for example, and Vice President Salvador Laurel's resurrected presidential ambitions.

Earlier hopes pinned on the Aquino-appointed Constitutional Commission also appear to be waning. At one time expected to enshrine in the Constitution it is drafting a state commitment to economic and social reforms, the commission has so far been reformist only in the Bill of Rights it has approved.

The Constitution it is completing is almost certain to have only a minimal commitment to land reform, and none to nationalist industrialization, the dismantling of US military bases, and state control over multinational corporations.

A consensus is developing among Filipino nationalists that the commission has taken a generally conservative position on key issues. This perceived conservatism resulted in the resignation of six commissioners belonging to the nationalist bloc. Although five of the resigned commissioners were persuaded to return to the Commission, the conservative majority is nevertheless still doing all it can to give a constitutional mandate to foreign interests and dominance in Philippine affairs.

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PHILIPPINES

NATIONAL POLITICAL PARTY FOR WOMEN ORGANIZED

HK051521 Quezon City BUSINESS DAY in English 5 Sep 86 p 26

[Text] Baguio City--A new political party is currently being organized by activist-feminist Maita Gomez. Tentatively called the Women's Political Party (WPP), Gomez's group is scheduled to hold a founding congress on September 28 in Manila.

Gomez, who was here recently to organize the party's Baguio chapter, explained to a group of women the need for WPP.

"If there are more women in government, there might be more democracy," she said.

The WPP's organization, however, doesn't mean that it will work exclusively for women's rights; it will also advocate the rights of both men and women, she added.

Gomez claimed that WPP is feasible because about half of the population in the country is women and "there's now a need [words indistinct] for women's rights in our society."

Gomez said forming WPP at this time is "just right" because of the current political situation in the country where multi-party system is emerging.

"No single party dominates the country's politics hence, the impending birth of WPP is just right. If you do it next year, it might not be successful," Gomez said.

The WPP will be independent from other political parties, although a coalition with other parties is not ruled out, she said. Such a coalition will depend on the strength of the other party and on commonality of stand on crucial issues.

The proposed women's party will seek to change or redirect traditional Philippine politics from patronage, personalities and promises to one which is based on issues or programs, Gomez said.

According to Gomez, if the WPP will succeed in organizing Filipino women, then it will set a precedent of sorts, since no country in the world has a successful political party of women.

Gomez said organizers of the WPP founding congress are targeting about 500 women participants as charter founding members.

The name of the party and the constitution will be approved during the congress, she added.

Gomez has been traveling all over the country to organize local chapters of WPP.

In each place, she has urged women to unite and organize from the barangay level, since as a political party WPP has to start from the grassroots.

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CSO: 4200/1415

PHILIPPINES

VALENCIA ON FORMATION OF PARTIDO NG BAYAN

HK021509 Manila THE NEW PHILIPPINES DAILY EXPRESS in English 2 Sep 86 p 4

["Over a Cup of Coffee" column by Teodoro F. Valencia: "Partido ng Bayan: an Analysis"]

[Excerpts] The formation of the Partido ng Bayan [People's Party] was perfect as to timing and objective. Whatever happens to the ceasefire talks, the left-of-center people are assured a political arm. The communists have an army (NPA), a central executive arm (NDF) [National Democratic Front], and now a political organization that will fight it out with other parties for the favor of the masses. The PNB initiative caught everybody by surprise--some were shocked.

The hundreds of foreign correspondents must have gone to town to report the Partido's birth. Minister Augusto Sanchez is now assured of political backing. The leftists in government no longer are orphans--they have solid support where it counts. There will be many more reactions to this political happening.

Now that the leftists have formed their own political party, the Partido ng Bayan and the Laurels have sworn to revitalize the old Nacionalista Party, the President's leaders want to put up their own party. The trouble is that we have too many political parties and they are all dedicated to achieving power. What we need is a party with a program of government, a party that can offer us a solution for our problems.

The Partido ng Bayan had to be formed to stop people from branding its leaders as communists or leftists. Now that they have a party, they won't mind the label anymore. For unionists who are not leftists or even left of center, the Partido ng Bayan must be most welcome. This party separates the left from the non-left.

If you remember how many political parties there were before the 1986 presidential election, you'll understand what is going on. This is a mere re-assertion of leadership by those who banded together to fight the KBL. Now it seems they want to reassert their identities. If at all they will stay with the President's group, they want to keep their individual personalities so that when they move out of the Aquino orbit, they still have their own identities.

The Partido ng Bayan, if not outlawed at a later date, will force all the non-left parties to coalesce for their own protection. Divided, the right, right-of-center and the non-left will be snowed under by the Partido ng Bayan unless they band together and put up their own program of government. The left definitely has its own ideas to push. They have discipline which the rightists don't have.

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CSO: 4200/1415

PHILIPPINES

COMMISSION OPENS HEARINGS ON MARCOS WEALTH

HK011250 Hong Kong AFP in English 1238 GMT 1 Sep 86

[Text] Manila, Sept 1 (AFP)--A presidential commission opened hearings here Monday on Ferdinand Marcos' alleged ill-gotten wealth, with the government presenting evidence on how he allegedly set up fronts for diverting money into Swiss banks.

Some documents, signed by Mrs. Marcos, dated as far back as 1968 and allegedly showed that the deposed president already maintained a Swiss bank account, government lawyer Eduardo Montenegro told the Presidential Commission on Good Government hearing.

The commission is acting as state prosecutor on a complaint filed by the office of the Solicitor General alleging that Mr. Marcos and his associates had used public funds for their personal benefit during his 20 years in power.

Under Philippine law, state prosecutors decide whether a complaint is backed up by evidence before elevating the dispute to a court.

President Corazon Aquino, who came to power following a popular revolt that toppled the Marcos regime in February, created the five-man commission to track down and recover the Marcoses' alleged ill-gotten wealth.

Mr. Marcos, now living in exile in Hawaii, and his associates were represented by their lawyers during Monday's hearing. But they did not make any statement to the panel and only asked for transcripts of the proceedings.

The documents shown to the commission, which the government said they discovered at the presidential palace after the Marcos family fled into exile, show the first couple allegedly setting up various foundations.

These were then allegedly used as conduits in the transfer of funds to secret Swiss bank accounts under the name of William Sauders of Jane Ryan, allegedly aliases used by Mr. Marcos and his wife Imelda.

The commission was told that the documents included letters, statements of accounts, and deeds of trust all supporting the government's contention that Mrs. Marcos committed graft.

"We keep coming across foundations," Mr. Montenegro said. He added that he did not know how much the Swiss accounts actually contained but said it could be "billions of dollars."

Press estimates of the Marcoses' worldwide empire come up to 10 billion dollars.

Mr. Montenegro said they were still going through a "roomful of documents."

"Without these exhibits...I think it would be impossible" to trace all the Marcoses' money, the lawyer told the commission.

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PHILIPPINES

3,000 LOYALISTS HEAR TAPED MARCOS INTERVIEW

HK090825 Manila THE MANILA CHRONICLE in English 8 Sep 86 pp 1, 2

[Article by correspondent Lito Zulueta]

[Text] Banned from rallying at Rizal Park, 3,000 loyalists yesterday massed at the Quezon Memorial Circle in Quezon City to praise former fiscal Felizardo Lota as a "champion of constitutionalism" and hear a taped interview with deposed president Ferdinand Marcos.

The loyalists have not held a rally for the past three Sundays, breaking a promise to hold continuous demonstrations until President Aquino steps down.

They have been barred from Rizal Park since July 27, when goons mauled to death Steve Salcedo whom they spotted wearing a yellow T-shirt.

Yesterday the loyalists listened as Marcos warned that the Philippines may become another Vietnam and raised the specter of a Third World War starting here.

The taped interview with the ousted president was aired by loyalists radio station DZEC and played at yesterday's rally.

The 15-minute interview was preceded by the reading of a letter from a "concerned citizen of the Philippines" to Marcos asking him to return and save the country from communism.

Marcos said that with the present government's policy of conciliation with the insurgents, a "communist takeover is inevitable."

He said the United States might in the end be forced to involve itself in the insurgency problem.

"This time," he said, "not only would the American Navy be involved as it was during the Vietnam war, but also U.S. foot soldiers, pilots, etc."

He said the entry of the U.S. in the war would force the other superpowers to take sides, signaling the outbreak of World War III.

At the same time, he stressed that "survival is in our hands with the half of our ally, the U.S."

He concluded the interview with a prayer: "I hope to God that I will be allowed to return to the Philippines with the blessing of our ally, the United States, of the Filipino people, and the military to avert the crisis of 1986 which may be jotted down in history as the year of the outbreak of the Third World War."

Yesterday's rally was dedicated to Lota who was shot to death Aug. 19.

Police have charged another loyalist leader, Fernando Díaz, for Lota's murder.

Former MP Rafael Recto who also spoke yesterday, said he had intelligence information that President Aquino had already signed orders for the arrest of several loyalist leaders.

CapCom [Philippine Constabulary-Integrated National Police Capital Regional Command] soldiers and policemen were deployed at Rizal Park to prevent any loyalist rally there. Entrances to the Malacanang Palace were also barricaded.

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PHILIPPINES

BRIEFS

TRADE ZONES' EXPORT EARNINGS--Export earnings of the existing export processing zones in the country amounted to \$171.4 million during the first six months of the year, Export Processing Zone Authority (EPZA) administrator Jaime Guerrero said. The amount was 20.66 percent more than the \$142.05 million realized by the existing enterprises in the zones in January to June last year, Guerrero said. Based on the EPZA figures, about \$93.57 million of the total export earnings recorded during the six-month period came from the three regular zones in Bataan, Baguio City and Mactan. The bulk of increase, however, was accounted for by the special zones, whose earnings reached \$77.84 million during the period as against the previous year's \$50.38 million. [Text] [Manila MANILA BULLETIN in English 8 Sep 86 p 21 HK] /12913

NEW POLITICAL PARTY FORMED--Lucena City--Members of the Kilusang Bagong Lipunan (KBL) in vote-rich-Quezon province have started regrouping themselves and forming a new political party in preparation for the local elections. Former Vice Governor Hobert R. Dator said the new political party will be composed of KBL members, Marcos Loyalists and other oppositionists. He said the new party will put up its own candidates in the local elections. Lawyer Pedro Pujalte Jr., another KBL stalwart and former member of the Quezon Sangguniang Panlalawigan, said there is an urgent need for a new political opposition in this southern Tagalog province. "It is only fair and proper that the province of Quezon be represented in the national leadership," Puljante said, "and this can be attained by forming a new party composed of honest, tested and dedicated leaders who are popular with the masses." Dator said the name and composition of the new party will be made known after the arrival of former Governor Eladio Calivara, who is at present vacationing in the United States. It will be recalled that the KBL suffered two successive electoral defeats in the 14 May 1984 Batasan Polls and 7 February 1986 snap presidential elections. [By Noel Magturo] [Text] [Manila THE MANILA JOURNAL in English 7 Sep 86 p 8 (tentative) HK] /12913

MILITARY PARTICIPATION IN PEACE TALKS--Iloilo City--Former Member of Parliament Homobono Adaza has called for the participation of the military in the current peace negotiations between the government and the rebels. "The military knows the real insurgency situation in the country," he said. Adaza, an erstwhile vocal fiscalizer of the government, said the participation of top military or Ministry of Defense officials should be considered because negotiators in the rebel side are themselves top officials of the democratic front. The government should not rely on politicians alone to negotiate with the rebels as the current peace and order situation is very fluid, Adaza said. Adaza, director of the San Miguel Corp., was in Iloilo City Friday as guest speaker of the government public information officers of Western Visayas. [Text] [Quezon City BUSINESS DAY in English 3 Sep 86 p 23 HK] /6662

INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

LEADERS RECEIVE NATIONAL DAY GREETINGS FROM SOCIALIST COUNTRIES

GDR; Hungarian, Other Messages

OW080805 Hanoi VNA in English 0723 GMT 8 Sep 86

[Text] Hanoi VNA 8 September--Vietnamese leaders have received more greetings from abroad on the recent Vietnam's 41st National Day.

The joint message from Erich Honecker, general secretary of the Socialist Unity Party of Germany (SED) Central Committee and president of the State Council, Willi Stoph, chairman of the Council of Ministers, and Horst Sindermann, chairman of the People's Chamber of the GDR says:

"The Socialist Republic of Vietnam has made important contributions to the struggle for peace and against the policy of confrontation and the arms race of imperialism. The constructive policy of dialogue of the SRV aimed at making Southeast Asia a zone of peace, stability and cooperation is a factor of increasing importance."

The message jointly signed by Janos Kadar, general secretary of the Hungarian Socialist Workers' Party Central Committee; Pal Losonczi, president of the Presidential Council of the Republic; and Gyorgy Lazar, chairman of the Council of Ministers of Hungary, reads:

"Our people have followed with interest and sympathy the great efforts made by the Vietnamese people under the leadership of their party with the view of developing economy and social welfare, settling by political means all regional problems and consolidating peace. The friendship and cooperation between our countries and peoples based on the principles of Marxism-Leninism and Internationalism are widening in all fields."

From Mongolia, J. Batmonh, general secretary of the Mongolian People's Revolutionary Party and chairman of the Presidium of the People's Great Hural, and D. Sodnom, chairman of the Council of Ministers, say in their message:

"Actively implementing its external policy of peace, the Socialist Republic of Vietnam is making worthy contributions to the common struggle of the socialist community and all progressive forces to preserve and consolidate peace and security of all nations."

"The Mongolian People's Republic now as before supports the constructive initiatives and tireless efforts of the fraternal Indochinese countries aimed at seeking a political solution to the urgent questions in Southeast Asia to turn it into a region of peace, stability, and cooperation."

The joint message from Czechoslovak President Gustav Husak, who is also general secretary of the Communist Party of Czechoslovakia Central Committee, and Prime Minister Lubomir Strougal "highly appreciates the SRV's principled external policy of peace, in its international unity with the People's Democratic Republic of Laos and the People's Republic of Kampuchea, with a view to making Southeast Asia a zone of peace, stability and cooperation. These countries' peace proposals are an important contribution to consolidating peace and security in the whole Asia-Pacific region as well as to the world's struggle to avert the danger of nuclear conflict."

From Albania, Ramiz Alia, first secretary of the Central Committee of the Albanian Party of Labour and president of the Presidium of the People's Assembly, and Adil Carcani, chairman of the Council of Ministers, note in their message:

"The Vietnamese people are marking their National Day with substantial achievements in national reconstruction and all-sided development. The Albanian people are following with interest these achievements and sincerely wish the fraternal Vietnamese people still greater successes in socialist construction for the sake of progress, prosperity, and national defence."

The message from Nicolae Ceausescu, general secretary of the Romanian Communist Party Central Committee and president of the Republic; C. Dascalescu, prime minister; and N. Giosan, chairman of the Grand National Assembly, says:

"The Romanian people are following with sympathy the great efforts made by the Vietnamese people in building socialism in their homeland, and are sincerely elated at the achievements recorded by the latter under the leadership of the CPV in all domains of socio-economic development, and in taking the country to socialism and improving the people's living standard both material and cultural."

In his message Kim Il-song, general secretary of the Workers' Party of Korea Central Committee and president of the Democratic People's Republic of Korea, says: "I am convinced that the friendship between our two countries will further develop, and wish you and the Vietnamese people still greater achievements in the struggle for the prosperity of your country."

On this occasion Korean Premier Kang Son-san has sent greetings to his Vietnamese counterpart.

Polish, Nicaraguan Greetings

OW081940 Hanoi VNA in English 1506 CMT 8 Sep 86

[Text] Hanoi VNA 8 September--The Polish Ministry of Culture and Art gave a film show in Warsaw on 2 September in celebration of Vietnam's 41st National Day. The same day, a photo exhibition on Poland's assistance to Vietnam in restoring historic relics was opened in the capital city of Poland.

The Nicaraguan Society of Friendship with socialist countries held a meeting in Managua on 2 September in commemoration of Vietnam's 41st National Day. Mrs Leticia Herrera, member of the Central Committee of the Sandinista National Liberation Front, vice chairperson of the National Assembly and president of the Sandinista Commission of Defence, addressed the meeting. She praised the Vietnamese people's arduous and valiant struggle, under the leadership of the Communist Party of Vietnam and President Ho Chi Minh, for national independence and freedom. She reiterated the Nicaraguan people's resolve to promote the unbreakable militant solidarity between Vietnam and Nicaragua.

A talk on Vietnam was held by the Nicaraguan Ministry of Interior in Managua on 3 September in the presence of the revolutionary commander Luis Carrion, member of the National Leadership of FSLN and first Vice Minister of Interior.

The Mongolian newspaper RED STAR, NOVOSTI MONGOLII, YOUNG PEOPLE'S TRUTH, HODOLMOR, and ULAN BATOR NEWS, have run articles praising the Vietnamese people's achievements in national defence and socialist construction over the past 41 years. They expressed high appreciation of Vietnam's foreign policy of peace and its active contributions to making Southeast Asia a region of peace, stability and cooperation.

On this occasion, the Mongolian radio and television broadcast special programmes on Vietnam's land people.

Many exclusive articles have been released on the Ethiopian people's firm support to and solidarity with the Vietnamese people in national defence and development.

Praise From Afghanistan

OW070741 Hanoi VNA in English 0710 GMT 7 Sep 86

[Text] Hanoi VNA 7 September--A mass meeting was held in Kabul on 2 September to mark the 41st National Day of Vietnam.

Addressing the meeting, jointly sponsored by the peace, solidarity and friendship organization of Afghanistan, the Afghanistan-Vietnam Friendship Association and the Vietnamese Embassy in Kabul, president of the Host Association N. Mohammad praised the Vietnamese people's struggle for independence and freedom as well as the three Indochinese countries' important contributions to maintaining and consolidating peace in Southeast Asia and the rest of the world. He reaffirmed the Afghan people's support for Vietnam, Laos, and Kampuchea in their efforts to turn Southeast Asia into a region of peace, cooperation, and stability, and expressed his wish for further consolidation and development of the militant solidarity between Afghanistan and Vietnam.

In celebrations of Vietnam's National Day, meetings were arranged in Baghdad (Iraq) on 31 August by the Iraq-Vietnam Friendship Society and in London (Great Britain) on 2 September by the Britain-Vietnam Association. A film show was given in Maputo, Mozambique, on 28 August by the Vietnamese Embassy to Mozambique. Many leading officials of the Mozambican committee for friendship and solidarity with other peoples and representatives of mass organizations attended.

Bulgaria, Poland, Cuban Greetings

OW060929 Hanoi VNA in English 0746 GMT 6 Sep 86

[Text] Hanoi VNA 6 September--Party General Secretary and State Council President Truong Chinh and chairman of the Council of Ministers Pham van Dong have received messages of greetings from Polish, Bulgarian, and Cuban leaders on the 41st National Day of Vietnam.

The message jointly signed by Wojciech Jaruzelski, first secretary of the Polish United Workers' Party Central Committee and president of the Council of State and Zbigniew Messner, chairman of the Council of Ministers says:

"The Socialist Republic of Vietnam enjoys a true international prestige. Vietnam's constructive initiatives on international issues are concrete contributions to preserving peace, stability and cooperation in Southeast Asia."

The message praises the Vietnamese people for their past struggle against imperialism and their present national economic restoration and development in line with the Communist Party of Vietnam's orientations.

The message from general secretary of the Central Committee of the Bulgarian Communist Party and State Council President Todor Zhivkov and chairman of the Bulgarian Council of Ministers Georgi Atanasov praises the victories of the Vietnamese people in their struggle for national reunification, socialist building and the defence of their revolutionary achievements, and against interventions of imperialist and international reactionary forces.

"We fully support the continuous struggle of the Socialist Republic of Vietnam, together with the Lao People's Democratic Republic and the People's Republic of Kampuchea, to consolidate peace in Asia and restore the good neighbourliness among the countries in Southeast Asia, thus turning it into a zone of peace, security, and cooperation," the message stresses.

from Cuba, Fidel Castro, first secretary of the Communist Party and president of the State Council and chairman of the Council of Ministers, says in his message:

"On the international scale Vietnam, together with the Socialist community and other progressive forces, has always united with other nations in the just struggle for national independence and sovereignty. In Asia, Vietnam's efforts in seeking a peaceful way to solve regional conflicts continue to play an important role."

Japanese, Others Mark National Day

OW060919 Hanoi VNA in English 0742 GMT 6 Sep 86

[Text] Hanoi VNA 6 September--The Japan-Vietnam Friendship Association organized in Tokyo on 4 September a meeting to celebrate Vietnam's 41st National Day (2 September).

Speaking on the occasion, the Association president, Professor Makoto Kandatsu, reaffirmed the continued support of the Association and other progressive forces in Japan for the cause of national construction and defence in Vietnam.

In Afghanistan the leading paper KABUL NEW TIMES runs an article highly praising the Vietnamese people for their struggle against foreign invasions in the past as well as their national construction and defence at present. The paper reiterates Afghanistan's total support for the Vietnamese people's present struggle to preserve independence and build socialism.

The Swedish paper NORSKENS FLAMMAN carries an editorial entitled "41 Years After August Revolution" to mark the event. It praises Vietnam for their assistance to Laos and Kampuchea's struggle for peace, social progress and socialism. The article expresses its conviction that the Vietnamese people will certainly overcome the present difficulties to build a prosperous and happy life.

UK Amity Group Marks Day

BK070349 Hanoi Domestic Service in Vietnamese 2300 GMT 6 Sep 86

[Text] The British-Vietnamese Friendship Association [BVFA] and the Vietnamese Embassy in Britain jointly held a solemn ceremony in the grand meeting hall of the London City Council's headquarters on the afternoon of 2 September to commemorate the August Revolution and the SRV National Day and to mark the BVFA's 35th anniversary.

Representatives of the embassies of various socialist countries and nonaligned nations, national liberation movements, and British political parties, friendship associations, and trade unions attended the ceremony. Also on hand were members of the British Parliament, journalists, and members of the Foreign Diplomatic Corps.

After the opening speech delivered by Member of Parliament Robert, president of the BVFA, Lord (Rockway), member of the House of Lords and honorary president of the BVFA, made an address. He pointed out: Our relations with the Vietnamese people are more special than with any other people in the world because Vietnam is the most heroic nation on the globe.

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INTERNATIONAL RELATIONS, TRADE, AND AID

VIETNAM

GREETINGS ON BULGARIAN NATIONAL DAY

OW082007 Hanoi VNA in English 1713 GMT 8 Sep 86

[Text] Hanoi VNA 9 September--Vietnamese party and state leaders today extended warmest greetings to their Bulgarian counterparts on the 42nd National Day of Bulgaria (9 September).

The message of greetings, jointly signed by Truong Chinh, general secretary of the Communist Party of Vietnam Central Committee and president of the State Council, Pham Van Dong, chairman of the Council of Ministers, and Nguyen Huu Tho, chairman of the National Assembly, was addressed to their Bulgarian counterparts: Todor Zhivkov, Georgi Atanasov, and Stanko Todorov, respectively.

After hailing the great achievements recorded by the Bulgarian people under the Bulgarian Communist Party's leadership, the message says:

"These brilliant achievements, together with the Bulgarian party and state's peace and dynamic policies, have raised the international prestige and position of the People's Republic of Bulgaria, thus making considerable contributions to consolidating the strength of the socialist community and safeguarding peace and international security. The Vietnamese people greatly rejoice at these achievements of the fraternal Bulgarian people, and wish them, and the leadership of the communist party headed by esteemed Comrade Todor Zhivkov, ever greater successes in the implementation of the resolutions adopted at the 13th Party Congress, with a view to taking Bulgaria to new heights in building developed socialism. The Vietnamese communists and people always treasure the close friendship and the multifaceted cooperation between the two parties and peoples on the basis of Marxism-Leninism and socialist internationalism. We are resolved to do our best to constantly consolidate and strengthen this relationship."

On this occasion, Foreign Minister Nguyen Co Thach has sent his greetings to Bulgarian Foreign Minister Petur Mladenov.

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